

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Minnesota  
St. Paul, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Minnesota (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Minnesota as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Make-A-Wish Foundation® of Minnesota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Make-A-Wish Foundation® of Minnesota's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Make-A-Wish Foundation® of Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Make-A-Wish Foundation® of Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 12, 2023

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 769,620	\$ 1,605,777
Investments	3,288,367	3,126,736
Due from Related Entities	89,365	115,794
Prepaid Expenses	116,695	85,326
Contributions Receivable, Net	245,936	130,070
Other Assets	21,393	16,207
Investments Held for Long-Term Purposes	296,194	353,334
Property and Equipment, Net	23,654	19,262
Total Assets	\$ 4,851,224	\$ 5,452,506
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 364,374	\$ 107,580
Due to Related Entities	30,956	7,514
Deferred Rent	26,816	30,425
Paycheck Protection Program	-	225,000
Total Liabilities	422,146	370,519
<b>NET ASSETS</b>		
Without Donor Restrictions	4,229,482	4,948,487
With Donor Restrictions	199,596	133,500
Total Net Assets	4,429,078	5,081,987
Total Liabilities and Net Assets	\$ 4,851,224	\$ 5,452,506

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Cash	\$ 2,233,695	\$ -	\$ 2,233,695
Contributions, Donated Goods and Services	898,617	198,596	1,097,213
Grants	31,054	-	31,054
Total Public Support	3,163,366	198,596	3,361,962
Internal Special Events	979,046	-	979,046
Less: Costs of Direct Benefits to Donors	(292,821)	-	(292,821)
Total Internal Special Events	686,225	-	686,225
Investment Income, Net	(583,261)	-	(583,261)
Forgiveness of Paycheck Protection Program Loan	225,000	-	225,000
Other Income	27,081	-	27,081
Net Assets Released from Restrictions	132,500	(132,500)	-
Total Revenues, Gains, and Other Support	3,650,911	66,096	3,717,007
<b>EXPENSES</b>			
Program Services:			
Wish Granting	2,832,467	-	2,832,467
Total Program Services	2,832,467	-	2,832,467
Support Services:			
Fundraising	828,592	-	828,592
Management and General	707,714	-	707,714
Total Support Services	1,536,306	-	1,536,306
Total Expenses	4,368,773	-	4,368,773
<b>OTHER GAINS (LOSSES)</b>			
Loss on Disposal of Equipment	(1,143)	-	(1,143)
<b>CHANGE IN NET ASSETS</b>	(719,005)	66,096	(652,909)
Net Assets - Beginning of Year	4,948,487	133,500	5,081,987
<b>NET ASSETS - END OF YEAR</b>	\$ 4,229,482	\$ 199,596	\$ 4,429,078

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Cash	\$ 2,212,222	\$ 1,000	\$ 2,213,222
Contributions, Donated Goods and Services	376,682	-	376,682
Grants	83,124	-	83,124
Total Public Support	2,672,028	1,000	2,673,028
Internal Special Events	957,145	-	957,145
Less: Costs of Direct Benefits to Donors	(127,462)	-	(127,462)
Total Internal Special Events	829,683	-	829,683
Investment Income, Net	394,848	-	394,848
Forgiveness of Paycheck Protection Program Loan	262,300	-	262,300
Other Income	5,103	-	5,103
Net Assets Released from Restrictions	129,528	(129,528)	-
Total Revenues, Gains, and Other Support	4,293,490	(128,528)	4,164,962
<b>EXPENSES</b>			
Program Services:			
Wish Granting	1,601,692	-	1,601,692
Total Program Services	1,601,692	-	1,601,692
Support Services:			
Fundraising	810,785	-	810,785
Management and General	624,121	-	624,121
Total Support Services	1,434,906	-	1,434,906
Total Expenses	3,036,598	-	3,036,598
<b>OTHER (GAINS) LOSSES</b>			
Loss on Disposal of Equipment	(5,134)	-	(5,134)
<b>CHANGE IN NET ASSETS</b>	1,251,758	(128,528)	1,123,230
Net Assets - Beginning of Year	3,696,729	262,028	3,958,757
<b>NET ASSETS - END OF YEAR</b>	\$ 4,948,487	\$ 133,500	\$ 5,081,987

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2022**

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 2,074,195	\$ -	\$ -	\$ -	\$ -	\$ 2,074,195
Salaries, Taxes, and Benefits	441,339	593,524	486,765	1,080,289	-	1,521,628
Printing, Subscriptions, and Publications	7,216	35,157	2,963	38,120	-	45,336
Professional Fees	8,089	27,694	100,039	127,733	-	135,822
Rent and Utilities	23,909	32,154	26,382	58,536	-	82,445
Postage and Delivery	2,567	14,613	2,238	16,851	-	19,418
Travel	1,302	10,480	2,488	12,968	-	14,270
Meetings and Conferences	574	5,897	12,035	17,932	-	18,506
Office Supplies	24,894	4,583	1,245	5,828	-	30,722
Communications	4,031	4,811	3,959	8,770	-	12,801
Advertising and Media (Cash)	-	9,981	-	9,981	-	9,981
Repairs and Maintenance	2,517	3,385	2,777	6,162	-	8,679
Membership Dues	494	958	304	1,262	-	1,756
Insurance	-	-	27	27	-	27
National Partnership Dues	229,090	41,363	47,727	89,090	-	318,180
Miscellaneous	8,147	38,474	14,236	52,710	-	60,857
Depreciation and Amortization	4,103	5,518	4,529	10,047	-	14,150
Special Event - Direct Donor Benefits	-	-	-	-	292,821	292,821
<b>Total Expenses by Function</b>	<b>2,832,467</b>	<b>828,592</b>	<b>707,714</b>	<b>1,536,306</b>	<b>292,821</b>	<b>4,661,594</b>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(292,821)	(292,821)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 2,832,467</b>	<b>\$ 828,592</b>	<b>\$ 707,714</b>	<b>\$ 1,536,306</b>	<b>\$ -</b>	<b>\$ 4,368,773</b>

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2021**

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 915,326	\$ -	\$ -	\$ -	\$ -	\$ 915,326
Salaries, Taxes, and Benefits	383,833	515,632	422,905	938,537	-	1,322,370
Printing, Subscriptions, and Publications	3,037	19,668	1,204	20,872	-	23,909
Professional Fees	3,440	4,918	78,921	83,839	-	87,279
Rent and Utilities	33,631	45,229	37,111	82,340	-	115,971
Postage and Delivery	4,915	7,243	1,656	8,899	-	13,814
Travel	61	588	105	693	-	754
Meetings and Conferences	463	71,365	6,824	78,189	-	78,652
Office Supplies	21,460	7,792	2,732	10,524	-	31,984
Communications	4,503	4,360	3,608	7,968	-	12,471
Advertising and Media (Cash)	-	6,989	-	6,989	-	6,989
Advertising and Media (In-Kind)	-	6,740	-	6,740	-	6,740
Repairs and Maintenance	2,465	3,316	2,721	6,037	-	8,502
Bad Debt Expense	-	2,700	-	2,700	-	2,700
Membership Dues	440	1,704	859	2,563	-	3,003
National Partnership Dues	214,749	38,774	44,739	83,513	-	298,262
Miscellaneous	7,607	66,018	14,379	80,397	-	88,004
Depreciation and Amortization	5,762	7,749	6,357	14,106	-	19,868
Special Event - Direct Donor Benefits	-	-	-	-	127,462	127,462
Total Expenses by Function	<u>1,601,692</u>	<u>810,785</u>	<u>624,121</u>	<u>1,434,906</u>	<u>127,462</u>	<u>3,164,060</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,462)</u>	<u>(127,462)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,601,692</u>	<u>\$ 810,785</u>	<u>\$ 624,121</u>	<u>\$ 1,434,906</u>	<u>\$ -</u>	<u>\$ 3,036,598</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (652,909)	\$ 1,123,230
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	14,150	19,868
Forgiveness of Paycheck Protection Program Loan	(225,000)	(262,300)
Bad Debt Expense and Other	-	2,700
Net Realized and Unrealized (Gains) Losses on Investments	663,685	(330,270)
Loss on Disposal of Property and Equipment	1,143	5,134
Change in Discount to Present Value of Contributions Receivable	-	(3,389)
(Increase) Decrease in Assets:		
Contributions Receivable	(115,866)	221,977
Due from Related Entities	26,429	(42,086)
Prepaid Expenses	(31,369)	35,835
Other Assets	(5,186)	(908)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	256,794	(10,955)
Due to Related Entities	23,442	(17,361)
Deferred Rent	(3,609)	(2,529)
Net Cash Provided (Used) by Operating Activities	(48,296)	738,946
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,786,792)	(1,006,896)
Proceeds from Sales of Investments	1,018,616	453,036
Purchases of Property and Equipment	(19,685)	-
Net Cash Used by Investing Activities	(787,861)	(553,860)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program Loan	-	225,000
Net Cash Provided by Financing Activities	-	225,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(836,157)	410,086
Cash and Cash Equivalents - Beginning of Year	1,605,777	1,195,691
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 769,620	\$ 1,605,777

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Minnesota (the Foundation) is a Minnesota nonprofit corporation, organized for the purpose of creating life changing wishes for children with critical illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation® of America (National Organization), which develops and implements national programs in public relations and fundraising for the benefit of all local chapters. To be a Make-A-Wish chapter, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit entities.

**Cash, Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the statements of financial position.

**Contributions Receivable**

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment, Net**

Property and equipment having a unit cost of greater than \$1,000 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

**Fair Value Measurements**

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

*Level 1* – Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

*Level 2* – Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

*Level 3* – Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**Revenue Recognition**

Revenue is recognized on the accrual basis and generally consists of contributions, special event revenue, in-kinds and other income.

Special event revenue consists of registrations, sponsorships and other contributions. The exchange element of the special event revenue was approximately \$293,000 and \$127,000 for the years ended August 31, 2022 and 2021, respectively. The portion that is considered to be exchange revenue is recognized as revenue when the performance obligations are met which is the occurrence of the event.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Conditional promises to give are not recognized as contribution revenue and receivables until the conditions have been substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statements of activities as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>August 31, 2022</u>				
Wish Related	\$ 865,852	\$ -	\$ -	\$ 865,852
Other	26,006	169	6,493	32,668
Total	<u>\$ 891,858</u>	<u>\$ 169</u>	<u>\$ 6,493</u>	<u>898,520</u>
Internal Special Events				20,624
Auction Proceeds				55,135
Other Assets, Net Change				97
Contributions Receivable, Net Change				<u>198,596</u>
Total				<u>\$ 1,172,972</u>
<u>August 31, 2021</u>				
Wish Related	\$ 246,365	\$ -	\$ -	\$ 246,365
Advertising and Media	-	6,740	-	6,740
Other	19,590	98,398	2,554	120,542
Total	<u>\$ 265,955</u>	<u>\$ 105,138</u>	<u>\$ 2,554</u>	<u>373,647</u>
Internal Special Events				17,447
Auction Proceeds				133,737
Other Assets, Net Change				<u>3,036</u>
Total				<u>\$ 527,867</u>

Wish related in-kinds consist of donated travel, goods and other services used in the delivery of wishes. The Foundation estimates the fair value of wish related in-kinds on the basis of estimates of the current market rates for similar travel, goods and other services in the Foundation's market.

**MAKE-A-WISH FOUNDATION® OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items. The Foundation estimates the fair value of these donated items based on the current market rates for similar items in the Foundation's market. The Foundation receives auction items to be sold at its special events. Contributed auction items are valued at the gross selling price received and the value is included in internal special event revenue on the statement of activities.

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

In-kind contributions related to wish granting are restricted to be used in granting wishes. In-kind contributions related to special events are restricted for use at those events. No other in-kind contributions were received with donor restrictions.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and Minnesota income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Minnesota Statute 290.05. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2022 and 2021. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

**Functional Expenses**

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

**Wish Granting**

Activities performed by the Foundation in granting wishes to children with critical illnesses.

**Fundraising**

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

**Management and General**

All costs not identifiable with a specific programs or fundraising activities, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

**Deferred Rent**

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$26,816 and \$30,425, respectively at August 31, 2022 and 2021.

**Management Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of Accounting Pronouncement**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

**Accounting Pronouncement Not Yet Effective**

In February 2016, FASB issued ASU 2016-02, *Leases*. This accounting standard requires organizations that lease assets to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. This accounting standard will also require additional disclosures about the amount, timing and uncertainty of cash flows arising from leases. This accounting standard is effective for the Foundation as of fiscal year 2023. Management is currently evaluating the impact of adopting this accounting standard.



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**NOTE 3 LIQUIDITY AND AVAILABILITY**

The Foundation monitors liquidity regularly through the monthly financial package provided to the board and through the enterprise-wide Benchmarks of Excellence. Holding 6 to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

	<u>2022</u>	<u>2021</u>
Total Financial Assets	\$ 4,689,482	\$ 5,331,711
Donor-Imposed Restrictions:		
Restricted Funds	<u>(199,596)</u>	<u>(133,500)</u>
Net Financial Assets after Donor-Imposed Restrictions	4,489,886	5,198,211
Internal Designations:		
Board-Designated Endowments	<u>(296,194)</u>	<u>(353,334)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,193,692</u>	<u>\$ 4,844,877</u>

Financial Assets include cash and cash equivalents, investments, due from related entities, contributions receivable, and investments held for long-term purposes. For purposes of analyzing resources available to meet general expenditures over one year, the Foundation considers all expenditures related to its ongoing program activities, as well as the functions in support of those activities, to be general expenditures.

Endowment funds consist of funds designated by the board as endowments.

**NOTE 4 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following table as of August 31, 2022 and 2021 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's Audit and Finance committee which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turnaround situations. Real estate funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy**

The following table presents the fair value hierarchy of assets that are measured at fair value on a recurring basis, at August 31:

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2022</u>					
<b>Assets</b>					
Investments:					
Mutual Funds	\$ 2,548,064	\$ -	\$ -	\$ -	\$ 2,548,064
Exchange-Traded Funds	125,719	-	-	-	125,719
Equity Securities	376,519	-	-	-	376,519
Debt Securities	-	498,490	-	-	498,490
Cash	-	-	-	35,769	35,769
Total Investments	<u>\$ 3,050,302</u>	<u>\$ 498,490</u>	<u>\$ -</u>	<u>\$ 35,769</u>	<u>\$ 3,584,561</u>
<u>August 31, 2021</u>					
<b>Assets</b>					
Investments:					
Mutual Funds	\$ 2,434,469	\$ -	\$ -	\$ -	\$ 2,434,469
Exchange-Traded Funds	159,220	-	-	-	159,220
Equity Securities	368,952	-	-	-	368,952
Debt Securities	-	464,609	-	-	464,609
Cash	-	-	-	52,820	52,820
Total Investments	<u>\$ 2,962,641</u>	<u>\$ 464,609</u>	<u>\$ -</u>	<u>\$ 52,820</u>	<u>\$ 3,480,070</u>

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

The Foundation's contributions receivable as of August 31, 2022 and 2021 were \$245,936 and \$130,070, respectively, which are due from two donors for both years. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2022 and 2021.

**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with distributions from national partners; individual donation amounts collected via online and white mail donations; amounts for internal grants, travel, and training scholarships; amounts to fund the Adopt-A-Wish® program; and other miscellaneous revenues. During the years ended August 31, 2022 and 2021, respectively, the Foundation received \$769,290 and \$912,552 from these national revenue streams.

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**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$385,706 and \$361,526 were paid from the Foundation to the National Organization during the years ended August 31, 2022 and 2021, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$11,550 and \$5,100, respectively, for the years ended August 31, 2022 and 2021, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows at August 31:

	<u>2022</u>	<u>2021</u>
Due from National Organization	\$ 81,757	\$ 102,442
Due from Other Chapters	7,608	13,352
Total Due from Related Entities	<u>\$ 89,365</u>	<u>\$ 115,794</u>
Due to National Organization	\$ 6,068	\$ 7,514
Due to Other Chapters	24,888	-
Total Due to Related Entities	<u>\$ 30,956</u>	<u>\$ 7,514</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation’s use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During the years ended August 31, 2022 and 2021, the Foundation received contributions, both cash and in-kind, from board members totaling \$104,068 and \$193,853, respectively.

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**NOTE 7 PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Land		
Computer Equipment and Software	\$ 81,157	\$ 70,090
Office Furniture and Equipment	60,096	73,816
Leasehold Improvements	12,718	12,718
Total	<u>153,971</u>	<u>156,624</u>
Less Accumulated Depreciation and Amortization	<u>(130,317)</u>	<u>(137,362)</u>
Property and Equipment, Net	<u>\$ 23,654</u>	<u>\$ 19,262</u>

Depreciation and amortization expense totaled \$14,150 and \$19,868, respectively for the years ended August 31, 2022 and 2021.

**NOTE 8 LEASES**

The Foundation is obligated under one operating lease for offices, for which the lease agreement was amended and the rented space was reduced in June 2021. The lease expires on July 31, 2026. Total rent expense for all operating leases for the years ended August 31, 2022 and 2021 totaled \$46,436 and \$66,144, respectively.

Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 49,655
2024	49,248
2025	50,302
2026	45,405
Total	<u>\$ 194,610</u>

**NOTE 9 NET ASSETS**

**Net Assets Without Donor Restrictions**

Board-designated net assets consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Board-Designated Endowment Funds	<u>\$ 296,194</u>	<u>\$ 353,334</u>

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**NOTE 9 NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods as of August 31:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Wish Granting	\$ 198,596	\$ -
Program Service Grant	<u>1,000</u>	<u>8,500</u>
Total	199,596	8,500
Subject to Passage of Time:		
Promise to Give	-	125,000
Total Donor-Restricted Net Assets	<u>\$ 199,596</u>	<u>\$ 133,500</u>

**NOTE 10 ENDOWMENTS**

The Foundation has established a board restricted endowment with the proceeds of an unrestricted bequest from a single donor.

The Foundation is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of one fund designated by the board of directors to function as an endowment. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long-term purposes on the statements of financial position.

Endowment fund composition by type of fund as of August 31 is as follows:

<u>August 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-Designated Endowment Funds	<u>\$ 296,194</u>	<u>\$ -</u>	<u>\$ 296,194</u>
<u>August 31, 2021</u>			
Board-Designated Endowment Funds	<u>\$ 353,334</u>	<u>\$ -</u>	<u>\$ 353,334</u>

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**NOTE 10 ENDOWMENTS (CONTINUED)**

Changes in the endowment funds are as follows for the years ended August 31:

<u>August 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds - Beginning of Year	\$ 353,334	\$ -	\$ 353,334
Investment Return:			
Investment Income	13,383	-	13,383
Net Appreciation (Realized and Unrealized)	<u>(57,544)</u>	<u>-</u>	<u>(57,544)</u>
Total Investment Return	(44,161)	-	(44,161)
Other Changes:			
Distribution Pursuant to Distribution Policy	<u>(12,979)</u>	<u>-</u>	<u>(12,979)</u>
Endowment Funds - End of Year	<u>\$ 296,194</u>	<u>\$ -</u>	<u>\$ 296,194</u>
<u>August 31, 2021</u>			
Endowment Funds - Beginning of Year	\$ 312,483	\$ -	\$ 312,483
Investment Return:			
Investment Income	2,470	-	2,470
Net Appreciation (Realized and Unrealized)	<u>48,683</u>	<u>-</u>	<u>48,683</u>
Total Investment Return	51,153	-	51,153
Other Changes:			
Distribution Pursuant to Distribution Policy	<u>(10,302)</u>	<u>-</u>	<u>(10,302)</u>
Endowment Funds - End of Year	<u>\$ 353,334</u>	<u>\$ -</u>	<u>\$ 353,334</u>

**NOTE 11 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2022 and 2021 were \$38,999 and \$20,463, respectively.

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**NOTE 12 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

**NOTE 13 COMMITMENTS**

The goal of the Foundation is to grant the wish of every eligible child. During the years ending August 31, 2022 and 2021, the Foundation granted 218 and 117 wishes, respectively. As of August 31, 2022 and 2021, respectively, there were approximately 340 and 370 wish children who were eligible for a wish. The average cost of a wish for the year ended August 31, 2022 was \$5,674 in cash and \$3,304 in in-kind for a total cost of \$8,978. The average cost of a wish for the year ended August 31, 2021 was \$5,325 in cash and \$2,122 in in-kind for a total cost of \$7,447.

The Foundation has contracts with a venue for the future Wish Ball events in April 2023. The Foundation had future noncancellable commitments for this contract for approximately \$63,750 as of August 31, 2022.

**NOTE 14 RISKS AND UNCERTAINTIES**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began. On March 10, 2020, in conjunction with the Make-A-Wish America National Medical Advisory Council (NMAC), Make-A-Wish America issued instructions to pause travel and large gathering wishes until deemed medically safe for our vulnerable population and their families. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

As of September 15, 2021, in consultation with the NMAC, the pause on domestic travel to large gatherings was lifted, if travel occurred by automobile. The pause on airline travel was lifted December 1, 2021 with a graduated approach with full domestic travel resuming June of 2022. International and cruise wish travel is still paused as of August 31, 2022. Prior to fiscal year 2020, travel wishes have been approximately 77% of wishes granted and the number of granted wishes averaged approximately 261. The number of wishes granted during the years ended August 31, 2022 and 2021 were 218 and 117, respectively.

The Foundation continues to evaluate all expenses and fundraising efforts in light of the impact of COVID-19.



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**NOTE 15 PAYCHECK PROTECTION PROGRAM**

The Foundation applied for and was approved a \$262,300 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 27, 2020. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation received forgiveness of \$262,300 on March 1, 2021.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$225,000 loan. The loan was received on January 29, 2021. The loan accrues interest at 1%, with the first 10 months of interest deferred, has a term of five years and is unsecured and guaranteed by the Small Business Administration. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation received forgiveness of \$225,000 on December 15, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Foundation's financial position.

**NOTE 16 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through January 12, 2023, the date at which the financial statements were available to be issued.



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