

**MAKE-A-WISH FOUNDATION OF CENTRAL AND
WESTERN NORTH CAROLINA, INC.**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021



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MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation of Central and Western North Carolina, Inc.
Charlotte, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation of Central and Western North Carolina, Inc. (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 Central and Western North Carolina, Inc. 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 Central and Western North Carolina, Inc. 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 Central and Western North Carolina, Inc.'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 Central and Western North Carolina, Inc.'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 Central and Western North Carolina, Inc.'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

Greenbelt, Maryland
March 2, 2023

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 2,583,506	\$ 2,309,007
Investments	2,863,120	3,147,382
Due from Related Entities	94,009	63,401
Prepaid Expenses	269,757	156,048
Contributions Receivable, Net	924,765	344,573
Other Assets	66,936	103,284
Property and Equipment, Net	1,987,433	2,027,512
Total Assets	\$ 8,789,526	\$ 8,151,207
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 457,455	\$ 286,676
Due to Related Entities	67,155	19,593
Deferred Revenue	68,555	57,343
Capital Lease Obligations	12,953	21,576
Paycheck Protection Program	-	282,600
Notes Payable	1,266,023	1,374,522
Total Liabilities	1,872,141	2,042,310
NET ASSETS		
Without Donor Restrictions	6,290,835	5,746,851
With Donor Restrictions	626,550	362,046
Total Net Assets	6,917,385	6,108,897
Total Liabilities and Net Assets	\$ 8,789,526	\$ 8,151,207

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,820,692	\$ 312	\$ 1,821,004
Contributions, Donated Goods and Services	843,406	337,441	1,180,847
Grants	704,057	52,142	756,199
Total Public Support	3,368,155	389,895	3,758,050
Internal Special Events, Cash	2,510,875	96,413	2,607,288
Internal Special Events, Donated Goods and Services	32,518	-	32,518
Less: Costs of Direct Benefits to Donors	(422,525)	-	(422,525)
Total Internal Special Events	2,120,868	96,413	2,217,281
Investment Income, Net	(479,749)	-	(479,749)
Forgiveness of Paycheck Protection Program Loan	282,600	-	282,600
Other Income	12,508	-	12,508
Net Assets Released from Restrictions	221,804	(221,804)	-
Total Revenues, Gains, and Other Support	5,526,186	264,504	5,790,690
EXPENSES			
Program Services:			
Wish Granting	3,792,381	-	3,792,381
Support Services:			
Fundraising	657,297	-	657,297
Management and General	532,524	-	532,524
Total Support Services	1,189,821	-	1,189,821
Total Expenses	4,982,202	-	4,982,202
CHANGE IN NET ASSETS	543,984	264,504	808,488
Net Assets - Beginning of Year	5,746,851	362,046	6,108,897
NET ASSETS - END OF YEAR	\$ 6,290,835	\$ 626,550	\$ 6,917,385

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,640,731	\$ -	\$ 1,640,731
Contributions, Donated Goods and Services	337,065	14,046	351,111
Grants	433,295	6,000	439,295
Total Public Support	2,411,091	20,046	2,431,137
Internal Special Events, Cash	1,089,239	-	1,089,239
Internal Special Events, Donated Goods and Services	11,572	-	11,572
Less: Costs of Direct Benefits to Donors	(105,668)	-	(105,668)
Total Internal Special Events	995,143	-	995,143
Investment Income, Net	522,683	-	522,683
Forgiveness of Paycheck Protection Program Loan	275,000	-	275,000
Other Income	13,716	-	13,716
Net Assets Released from Restrictions	222,216	(222,216)	-
Total Revenues, Gains, and Other Support	4,439,849	(202,170)	4,237,679
EXPENSES			
Program Services:			
Wish Granting	2,172,394	-	2,172,394
Support Services:			
Fundraising	685,185	-	685,185
Management and General	449,377	-	449,377
Total Support Services	1,134,562	-	1,134,562
Total Expenses and Losses	3,306,956	-	3,306,956
CHANGE IN NET ASSETS	1,132,893	(202,170)	930,723
Net Assets - Beginning of Year	4,613,958	564,216	5,178,174
NET ASSETS - END OF YEAR	\$ 5,746,851	\$ 362,046	\$ 6,108,897

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	Program	Support Services			Direct Donor Benefits	Total
	Services					
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 2,508,417	\$ -	\$ -	\$ -	\$ -	\$ 2,508,417
Salaries, Taxes, and Benefits	901,184	405,118	347,244	752,362	-	1,653,546
Printing, Subscriptions, and Publications	3,933	13,084	1,653	14,737	-	18,670
Professional Fees	9,093	15,378	81,768	97,146	-	106,239
Rent and Utilities	32,889	14,785	12,673	27,458	-	60,347
Postage and Delivery	3,063	2,634	467	3,101	-	6,164
Travel	1,994	7,503	4,880	12,383	-	14,377
Meetings and Conferences	770	26,201	513	26,714	-	27,484
Office Supplies	37,473	5,862	2,702	8,564	-	46,037
Communications	9,687	4,354	3,732	8,086	-	17,773
Advertising and Media (Cash)	-	17,305	-	17,305	-	17,305
Repairs and Maintenance	507	228	195	423	-	930
Insurance	38	17	15	32	-	70
National Partnership Dues	210,285	37,968	43,809	81,777	-	292,062
Miscellaneous	32,408	88,590	17,213	105,803	-	138,211
Depreciation and Amortization	40,640	18,270	15,660	33,930	-	74,570
Special Event - Direct Donor Benefits	-	-	-	-	422,525	422,525
Total	3,792,381	657,297	532,524	1,189,821	422,525	5,404,727
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(422,525)	(422,525)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,792,381</u>	<u>\$ 657,297</u>	<u>\$ 532,524</u>	<u>\$ 1,189,821</u>	<u>\$ -</u>	<u>\$ 4,982,202</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
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	\$ 1,257,608	\$ -	\$ -	\$ -	\$ -	\$ 1,257,608
Salaries, Taxes, and Benefits	581,188	507,357	264,174	771,531	-	1,352,719
Printing, Subscriptions, and Publications	675	12,785	139	12,924	-	13,599
Professional Fees	4,207	3,255	84,999	88,254	-	92,461
Rent and Utilities	22,425	20,743	12,894	33,637	-	56,062
Postage and Delivery	42	883	1,020	1,903	-	1,945
Travel	162	467	26	493	-	655
Meetings and Conferences	8	424	-	424	-	432
Office Supplies	5,803	1,703	839	2,542	-	8,345
Communications	6,883	6,367	3,958	10,325	-	17,208
Advertising and Media (Cash)	-	11,466	-	11,466	-	11,466
Repairs and Maintenance	183	168	104	272	-	455
Insurance	53	50	31	81	-	134
Bad Debt Expense	-	529	-	529	-	529
National Partnership Dues	238,319	43,030	49,650	92,680	-	330,999
Miscellaneous	26,059	49,337	14,994	64,331	-	90,390
Depreciation and Amortization	28,779	26,621	16,549	43,170	-	71,949
Special Event Expenses	-	-	-	-	105,668	105,668
Total	<u>2,172,394</u>	<u>685,185</u>	<u>449,377</u>	<u>1,134,562</u>	<u>105,668</u>	<u>3,412,624</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,668)</u>	<u>(105,668)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,172,394</u>	<u>\$ 685,185</u>	<u>\$ 449,377</u>	<u>\$ 1,134,562</u>	<u>\$ -</u>	<u>\$ 3,306,956</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 808,488	\$ 930,723
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	74,570	71,949
Forgiveness of Paycheck Protection Program Loan	(282,600)	(275,000)
Bad Debt Expense and Other	-	529
Net Realized and Unrealized (Gain) Loss on Investments	516,862	(520,031)
Contributed Property and Equipment and Inventory	25,979	(14,263)
Change in Discount to Present Value of Contributions Receivable	(578)	23,223
(Increase) Decrease in Assets:		
Contributions Receivable	(579,614)	192,770
Due from Related Entities	(30,608)	36,309
Prepaid Expenses	(113,709)	(14,575)
Other Assets	10,369	(15,000)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	170,779	90,663
Due to Related Entities	47,562	18,226
Deferred Revenue	11,212	11,477
Net Cash Provided by Operating Activities	658,712	537,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,212,794)	(121,413)
Proceeds from Sales of Investments	2,980,194	125,526
Purchases of Property and Equipment	(34,491)	(1,398)
Net Cash Provided (Used) by Investing Activities	(267,091)	2,715
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(8,623)	(8,559)
Principal Payments on Notes Payable	(108,499)	(99,072)
Proceeds from Paycheck Protection Program Loan	-	282,600
Net Cash Provided (Used) by Financing Activities	(117,122)	174,969
NET INCREASE IN CASH AND CASH EQUIVALENTS	274,499	714,684
Cash and Cash Equivalents - Beginning of Year	2,309,007	1,594,323
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,583,506	\$ 2,309,007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 40,641	\$ 49,226
Contributed Property and Equipment and Inventory	\$ -	\$ 14,263

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 ORGANIZATION

Make-A-Wish Foundation of Central and Western North Carolina, Inc. (the Foundation) is a North Carolina 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. In addition, 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 (GAAP) applicable to nonprofit entities.

Cash and 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 CENTRAL AND WESTERN NORTH CAROLINA, INC.
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 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 three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). 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.

See additional information in Note 4.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
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.

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 restrictions 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 \$422,500 and \$106,000 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 CENTRAL AND WESTERN NORTH CAROLINA, INC.
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. There were no conditional promises outstanding for the years ended August 31, 2022 and 2021.

Contributions of assets other than cash are recorded at the 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>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>August 31, 2022</u>				
Wish Related	\$ 818,656	\$ -	\$ -	\$ 818,656
Rent	17,813	8,008	6,864	32,685
Other	25,324	19,936	705	45,965
Total	<u>\$ 861,793</u>	<u>\$ 27,944</u>	<u>\$ 7,569</u>	897,306
Internal Special Events				19,731
Contributions Receivable, Net Change				322,307
Other Assets, Net Change				<u>(25,979)</u>
Total				<u>\$ 1,213,365</u>
<u>August 31, 2021</u>				
Wish Related	\$ 268,472	\$ -	\$ -	\$ 268,472
Rent	13,216	12,224	7,599	33,039
Other	5,009	1,461	581	7,051
Total	<u>\$ 286,697</u>	<u>\$ 13,685</u>	<u>\$ 8,180</u>	308,562
Internal Special Events				24,724
Contributions Receivable, Net Change				15,134
Other Assets, Net Change				<u>14,263</u>
Total				<u>\$ 362,683</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. Professional services are valued and reported at the estimated fair value based on current rates for similar services. Donated rent is valued and reported at the estimated fair value on the basis of comparable lease agreements in the Foundation's market.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
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 fund-raising 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. The amount of auction items received and sold during the years ended August 31, 2022 and 2021 totaled \$359,148 and \$173,705, respectively.

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 North Carolina income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 55A of the General Statutes of North Carolina. 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. During the fiscal year ended August 31, 2022, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General

All costs not identifiable with a specific program 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.

Management Estimates

The preparation of financial statements in conformity with 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.

	2022	2021
Total Financial Assets	\$ 6,465,400	\$ 5,864,363
Donor Imposed Restrictions:		
Restricted Funds	(626,550)	(362,046)
Net Financial Assets after Donor-Imposed Restrictions	\$ 5,838,850	\$ 5,502,317

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.

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.

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 of directors, which oversees the Foundation's investment program in accordance with established guidelines.

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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>					
Investments:					
Mutual Funds	\$ 1,003,421	\$ -	\$ -	\$ -	\$ 1,003,421
Equity Securities	1,586,654	-	-	-	1,586,654
Real Estate Investment Trust	196,161	-	-	-	196,161
Cash	-	-	-	76,884	76,884
Total	<u>\$ 2,786,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,884</u>	<u>\$ 2,863,120</u>
<u>August 31, 2021</u>					
Investments:					
Mutual Funds	\$ 925,379	\$ -	\$ -	\$ -	\$ 925,379
Equity Securities	1,983,239	-	-	-	1,983,239
Real Estate Investment Trust	78,049	-	-	-	78,049
Cash	-	-	-	160,715	160,715
Total	<u>\$ 2,986,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,715</u>	<u>\$ 3,147,382</u>

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of 3.27% and 1.92% at August 31, 2022 and 2021, respectively. The following is a summary of the Foundation's contributions receivable August 31:

	2022	2021
Total Amounts Due in:		
Within One Year	\$ 822,904	\$ 206,134
One to Five Years	110,000	121,000
More than Five Years	-	25,000
Gross Contributions Receivable	<u>932,904</u>	<u>352,134</u>
Less: Discount to Present Value	<u>(8,139)</u>	<u>(7,561)</u>
Contributions Receivable, Net	<u>\$ 924,765</u>	<u>\$ 344,573</u>

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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 \$761,205 and \$835,870 from these national revenue streams.

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. Amount totaling \$396,533 and \$413,238 was 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 \$300 and \$-0-, 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:

	2022	2021
Due from National Organization	\$ 93,139	\$ 63,401
Due from Other Chapters	870	-
Total Due from Related Entities	<u>\$ 94,009</u>	<u>\$ 63,401</u>
Due to National Organization	\$ 3,513	\$ 1,901
Due to Other Chapters	63,642	17,692
Total Due to Related Entities	<u>\$ 67,155</u>	<u>\$ 19,593</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 \$88,598 and \$76,209, respectively. At August 31, 2022 and 2021, amounts due from board members totaled \$0 and \$2,000, respectively, and are included in contributions receivable in the accompanying statements of financial position. Amounts paid to related parties for goods and services used in the Foundation’s operations totaled \$119,590 and \$20,256 for the years ended August 31, 2022 and 2021, respectively.

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NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Computer Equipment and Software	\$ 78,347	\$ 54,011
Other Equipment	121,749	121,749
Land and Land Improvements	340,000	340,000
Buildings and Building Improvements	<u>1,764,829</u>	<u>1,754,675</u>
Total	2,304,925	2,270,435
Less: Accumulated Depreciation and Amortization	<u>(317,492)</u>	<u>(242,923)</u>
Property and Equipment, Net	<u>\$ 1,987,433</u>	<u>\$ 2,027,512</u>

Depreciation and amortization expense totaled \$74,570 and \$71,949, respectively, for the years ended August 31, 2022 and 2021.

NOTE 8 NOTES PAYABLE

On July 31, 2018, the Foundation entered into a note payable with a financial institution totaling \$1,649,000. On January 31, 2021, the Foundation refinanced the note payable with the financial institution totaling \$1,436,861. The note bears interest at 2.75%, requires principal payments in equal monthly installments of \$12,120, and matures on October 28, 2025, at which time the final balloon payment is due. The collateral on this note is commercial property the Foundation purchased during fiscal year 2019. The remaining principal payments subsequent to August 31, 2022, are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 111,558
2024	114,624
2025	117,946
2026	<u>921,895</u>
Total	<u>\$ 1,266,023</u>

NOTE 9 LEASES

The Foundation is obligated under various capital and operating leases for equipment, which expire at various dates through September 2024. As of August 31, 2022 and 2021, the cost of leased equipment under capital leases was \$45,887 and accumulated depreciation was \$35,438 and \$26,261, respectively.

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NOTE 9 LEASES (CONTINUED)

Subsequent to year-end the Foundation entered into lease agreements for equipment and office space which expire at various dates through May 2028. The future minimum lease payments are included in the table below.

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2023	\$ 7,586	\$ 11,453
2024	5,586	11,023
2025	488	5,971
2026	-	5,512
2027	-	5,512
Thereafter	-	3,215
Total Minimum Lease Payments	<u>13,660</u>	<u>42,686</u>
Less: Amounts Representing Interest	-	(5,273)
Present Value of Net Minimum Lease Payments	<u>\$ 13,660</u>	<u>\$ 37,413</u>

NOTE 10 NET ASSETS

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	\$ 343,964	\$ 27,607
Database Cleanup	-	5,000
Total	<u>343,964</u>	<u>32,607</u>
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	<u>282,586</u>	<u>329,439</u>
Total Donor-Restricted Net Assets	<u>\$ 626,550</u>	<u>\$ 362,046</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 years ended August 31, 2022 and 2021 were \$37,474 and \$24,660, 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 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 14 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal years ended August 31, 2022 and 2021, the Foundation granted 280 and 227 wishes, respectively. As of August 31, 2022 and 2021, respectively, there were approximately 530 and 520 wish children who are eligible for a wish. The average cost of a wish for the fiscal year ended August 31, 2022 was \$5,975 in cash and \$2,241 in in-kind for a total cost of \$8,216. The average cost of a wish for the year ended August 31, 2021 was \$4,182 in cash and \$1,368 in in-kind for a total cost of \$5,550.

NOTE 15 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 or fiscal year 2020, travel wishes have been approximately 80% of wishes granted and the number of granted wishes averaged approximately 371. The number of wishes granted during the years ended August 31, 2022 and 2021 was 280 and 227, respectively.

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

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NOTE 16 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved for a \$275,000 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 May 1, 2020. The loan accrued 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 \$275,000 on November 4, 2020.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$282,600 loan. The loan was received on March 22, 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 \$282,600 on March 17, 2022.

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 17 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the years ended August 31, 2022 and 2021 the Foundation applied for Employee Retention Credit (ERC) grant funding from the Internal Revenue Service (IRS). The Foundation recognized \$507,970 and \$-0-, respectively, of grant revenue related to performance requirements being met in compliance with the program during the years ended August 31, 2022 and 2021.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Foundation's financial position.

NOTE 18 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 2, 2023, the date at which the financial statements were available to be issued.



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