

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



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**MAKE-A-WISH FOUNDATION® OF AMERICA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of America
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation® of America (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 America 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 America 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 America'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 America'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 America'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
March 20, 2023

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

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 12,718,848	\$ 10,597,125
Investments	14,916,494	17,278,161
Due from Related Entities	1,598,948	409,594
Prepaid Expenses	3,930,233	1,865,255
Contributions Receivable, Net	5,593,750	6,518,886
Other Assets	1,336,402	1,229,930
Split-Interest Agreements	1,459,691	1,955,687
Investments Held for Long-Term Purposes	15,300,012	17,219,043
Interest Rate Swap Asset	373,839	-
Property and Equipment, Net	37,507,133	29,658,407
Total Assets	\$ 94,735,350	\$ 86,732,088
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 6,739,784	\$ 6,367,177
Due to Related Entities	9,200,588	8,640,701
Other Liabilities	2,912,336	1,604,549
Interest Rate Swap Obligation	-	345,829
Note Payable	17,572,349	17,832,348
Total Liabilities	36,425,057	34,790,604
NET ASSETS		
Without Donor Restrictions	38,727,452	29,733,217
With Donor Restrictions	19,582,841	22,208,267
Total Net Assets	58,310,293	51,941,484
Total Liabilities and Net Assets	\$ 94,735,350	\$ 86,732,088

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 85,549,250	\$ 8,050,287	\$ 93,599,537
Contributions, Donated Goods and Services	84,294,566	-	84,294,566
Grants	2,135,000	-	2,135,000
Total Public Support	171,978,816	8,050,287	180,029,103
Investment Loss, Net	(851,465)	(2,184,099)	(3,035,564)
Chapter Assessments	20,607,527	-	20,607,527
Other Income	5,160,086	-	5,160,086
Net Assets Released from Restrictions	8,349,770	(8,349,770)	-
Total Revenues, Gains, and Other Support	205,244,734	(2,483,582)	202,761,152
EXPENSES			
Program Services:			
Wish Granting	6,213,838	-	6,213,838
Program-Related Support	74,406,801	-	74,406,801
Training and Development	507,313	-	507,313
Public Information	72,944,916	-	72,944,916
Total Program Services	154,072,868	-	154,072,868
Support Services:			
Fundraising	24,563,408	-	24,563,408
Management and General	16,894,555	-	16,894,555
Total Support Services	41,457,963	-	41,457,963
Total Expenses	195,530,831	-	195,530,831
CHANGE IN NET ASSETS FROM OPERATIONS	9,713,903	(2,483,582)	7,230,321
NONOPERATING ACTIVITIES			
Change in Value of Split-Interest Agreements	-	(141,844)	(141,844)
Change in Value of Swap	(719,668)	-	(719,668)
Change in Net Assets from Nonoperating Activities	(719,668)	(141,844)	(861,512)
CHANGE IN NET ASSETS	8,994,235	(2,625,426)	6,368,809
Net Assets - Beginning of Year	29,733,217	22,208,267	51,941,484
NET ASSETS - END OF YEAR	\$ 38,727,452	\$ 19,582,841	\$ 58,310,293

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 77,222,714	\$ 7,558,362	\$ 84,781,076
Contributions, Donated Goods and Services	111,265,736		111,265,736
Grants	1,982,500	-	1,982,500
Total Public Support	<u>190,470,950</u>	<u>7,558,362</u>	<u>198,029,312</u>
Investment Income, Net	2,463,315	2,256,768	4,720,083
Chapter Assessments	18,472,126	-	18,472,126
Forgiveness of Paycheck Protection Program Loan	3,931,625	-	3,931,625
Other Income	3,260,470	-	3,260,470
Net Assets Released from Restrictions	<u>11,938,740</u>	<u>(11,938,740)</u>	<u>-</u>
 Total Revenues, Gains, and Other Support	 <u>230,537,226</u>	 <u>(2,123,610)</u>	 <u>228,413,616</u>
EXPENSES			
Program Services:			
Wish Granting	407,373	-	407,373
Program-Related Support	77,599,992	-	77,599,992
Training and Development	378,463	-	378,463
Public Information	108,726,479	-	108,726,479
Total Program Services	<u>187,112,307</u>	<u>-</u>	<u>187,112,307</u>
Support Services:			
Fundraising	19,357,292	-	19,357,292
Management and General	17,044,099	-	17,044,099
Total Support Services	<u>36,401,391</u>	<u>-</u>	<u>36,401,391</u>
 Total Expenses	 <u>223,513,698</u>	 <u>-</u>	 <u>223,513,698</u>
 CHANGE IN NET ASSETS FROM OPERATIONS	 <u>7,023,528</u>	 <u>(2,123,610)</u>	 <u>4,899,918</u>
NONOPERATING ACTIVITIES			
Change in Split-Interest Agreements	-	227,046	227,046
Change in Value of Swap	233,436	-	233,436
Change in Net Assets from Nonoperating Activities	<u>233,436</u>	<u>227,046</u>	<u>460,482</u>
 CHANGE IN NET ASSETS	 <u>7,256,964</u>	 <u>(1,896,564)</u>	 <u>5,360,400</u>
Net Assets - Beginning of Year	<u>22,476,253</u>	<u>24,104,831</u>	<u>46,581,084</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 29,733,217</u></u>	 <u><u>\$ 22,208,267</u></u>	 <u><u>\$ 51,941,484</u></u>

See accompanying Notes to Financial Statements.

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

	Program Services				Support Services				Total
	Wish Granting	Program Related Support	Training and Development	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	
Distributions to Related Entities	\$ 5,722,125	\$ 54,147,328	\$ -	\$ -	\$ 59,869,453	\$ -	\$ -	\$ -	\$ 59,869,453
Salaries, Taxes, and Benefits	391,568	11,730,339	370,846	390,668	12,883,421	3,065,679	9,664,255	12,729,934	25,613,355
Printing, Subscriptions, and Publications	15,060	10,240	6,439	2,865	34,604	4,969,914	33,879	5,003,793	5,038,397
Professional Fees	9,351	6,239,863	34,916	140,398	6,424,528	4,834,315	3,828,978	8,663,293	15,087,821
Rent and Utilities	1,484	74,086	3,601	790	79,961	21,766	693,741	715,507	795,468
Postage and Delivery	26	29,106	641	517	30,290	3,827,576	19,588	3,847,164	3,877,454
Travel	14,616	144,648	7,621	2,498	169,383	78,767	171,591	250,358	419,741
Meetings and Conferences	216	16,832	1,798	20	18,866	33,043	283,896	316,939	335,805
Office Supplies	-	2,410	2,815	39	5,264	111	207,175	207,286	212,550
Communications	4,707	145,027	5,689	3,527	158,950	33,540	104,619	138,159	297,109
Advertising and Media (Cash)	-	-	-	4,391,961	4,391,961	296,927	-	296,927	4,688,888
Advertising and Media (In-Kind)	-	-	-	67,998,273	67,998,273	4,597,159	-	4,597,159	72,595,432
Repairs and Maintenance	-	3,737	-	-	3,737	-	12,068	12,068	15,805
Insurance	10,736	425,879	22,943	4,350	463,908	102,777	343,814	446,591	910,499
Bad Debt Expense	-	-	-	-	-	1,219,039	-	1,219,039	1,219,039
Membership Dues	-	47,823	678	-	48,501	14,890	28,361	43,251	91,752
Grants and Scholarships	20,000	59,000	-	-	79,000	-	-	-	79,000
Miscellaneous	540	45,108	595	94	46,337	1,266,584	8,199	1,274,783	1,321,120
Interest Expense	933	40,060	2,082	417	43,492	10,489	288,505	298,994	342,486
Depreciation and Amortization	22,476	1,245,315	46,649	8,499	1,322,939	190,832	1,205,886	1,396,718	2,719,657
Administrative Charges	-	-	-	-	-	-	137,439	137,439	137,439
Total	6,213,838	74,406,801	507,313	72,944,916	154,072,868	24,563,408	17,031,994	41,595,402	195,668,270
Less: Expenses Netted Against Revenues on the Statement of Activities:									
Administrative Charges	-	-	-	-	-	-	(137,439)	(137,439)	(137,439)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 6,213,838	\$ 74,406,801	\$ 507,313	\$ 72,944,916	\$ 154,072,868	\$ 24,563,408	\$ 16,894,555	\$ 41,457,963	\$ 195,530,831

See accompanying Notes to Financial Statements.

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

	Program Services					Support Services			Total
	Wish Granting	Program Related Support	Training and Development	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Cost of Wishes	\$ (1,048)	\$ 431,447	\$ -	\$ -	\$ 430,399	\$ -	\$ -	\$ -	\$ 430,399
Distributions to Related Entities	490	56,549,912	-	-	56,550,402	-	-	-	56,550,402
Salaries, Taxes, and Benefits	370,529	9,766,384	280,238	101,373	10,518,524	3,937,488	9,797,104	13,734,592	24,253,116
Printing, Subscriptions, and Publications	150	(1,292)	400	1,423,600	1,422,858	1,922,418	500,287	2,422,705	3,845,563
Professional Fees	8,196	8,178,923	36,487	95,138	8,318,744	3,098,128	3,398,274	6,496,402	14,815,146
Rent and Utilities	1,127	180,441	6,345	2,188	190,101	80,377	445,730	526,107	716,208
Postage and Delivery	478	(7,738)	40	1,061,164	1,053,944	1,424,248	370,305	1,794,553	2,848,497
Travel	(3,133)	10,203	2	3,286	10,358	1,666	1,781	3,447	13,805
Meetings and Conferences	33	17,717	6,727	154	24,631	8,659	80,189	88,848	113,479
Office Supplies	(54)	847,801	(305)	(105)	847,337	(2,845)	90,007	87,162	934,499
Communications	3,509	133,483	4,142	1,601	142,735	52,031	155,726	207,757	350,492
Advertising and Media (Cash)	-	-	-	475	475	5,073,994	-	5,073,994	5,074,469
Advertising and Media (In-Kind)	-	-	-	106,022,299	106,022,299	1,346,984	-	1,346,984	107,369,283
Repairs and Maintenance	-	33	-	-	33	15	15,558	15,573	15,606
Insurance	1,893	302,768	10,653	3,674	318,988	134,366	318,977	453,343	772,331
Bad Debt Expense	25	6,785	143	49	7,002	623,663	15,371	639,034	646,036
Membership Dues	-	45,135	-	-	45,135	9,979	26,740	36,719	81,854
Grants and Scholarships	20,076	139,500	-	-	159,576	-	-	-	159,576
Miscellaneous	(784)	38,054	440	151	37,861	1,227,998	213,365	1,441,363	1,479,224
Interest Expense	226	36,168	1,273	439	38,106	16,051	270,766	286,817	324,923
Depreciation and Amortization	5,660	924,268	31,878	10,993	972,799	402,072	1,343,919	1,745,991	2,718,790
Administrative Charges	-	-	-	-	-	-	123,743	123,743	123,743
Total	407,373	77,599,992	378,463	108,726,479	187,112,307	19,357,292	17,167,842	36,525,134	223,637,441
Less: Expenses Netted Against Revenues on the Statement of Activities:									
Administrative Charges	-	-	-	-	-	-	(123,743)	(123,743)	(123,743)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 407,373</u>	<u>\$ 77,599,992</u>	<u>\$ 378,463</u>	<u>\$ 108,726,479</u>	<u>\$ 187,112,307</u>	<u>\$ 19,357,292</u>	<u>\$ 17,044,099</u>	<u>\$ 36,401,391</u>	<u>\$ 223,513,698</u>

See accompanying Notes to Financial Statements.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,368,809	\$ 5,360,400
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,719,657	2,718,790
Forgiveness of Paycheck Protection Program Loan	-	(3,931,625)
Bad Debt Expense and Other	1,219,039	646,036
Contributions Restricted for Long-Term Investment	(268,223)	(140,006)
Net Realized and Unrealized (Gains) Losses on Investments	5,188,338	(3,934,345)
Unrealized (Gain) Loss on Swap	(719,668)	(233,436)
Change in Value of Split-Interest Agreements	141,844	(227,046)
Change in Discount to Present Value of Contributions Receivable	(138,230)	(118,581)
(Increase) Decrease in Assets:		
Contributions Receivable	112,550	2,190,084
Due from Related Entities	(1,189,354)	930,853
Prepaid Expenses	(2,064,978)	191,922
Other Assets	(207,837)	(233,943)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	372,607	355,201
Due to Related Entities	881,901	(477,921)
Other Liabilities	1,307,787	214,221
Net Cash Provided by Operating Activities	13,724,242	3,310,604
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(60,253,139)	(12,712,370)
Proceeds from Sales of Investments	59,377,637	12,219,337
Purchases of Property and Equipment	(10,467,018)	(3,143,345)
Net Cash Used by Investing Activities	(11,342,520)	(3,636,378)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	-	130,959
Contributions Restricted for Investment in Property and Equipment	-	176,600
Payments on Note Payable	(259,999)	-
Net Cash Provided (Used) by Financing Activities	(259,999)	307,559
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,121,723	(18,215)
Cash and Cash Equivalents - Beginning of Year	10,597,125	10,615,340
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,718,848	\$ 10,597,125
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest Expense	\$ 342,486	\$ 324,922

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of America (the Foundation) is an Arizona nonprofit corporation, the mission of which is “Together, we create life-changing wishes for children with critical illnesses.” The “Foundation’s Purpose” is to grant the wish of each child who has reached the age of 2-1/2 and is under the age of 18 and who has a critical illness (i.e., a progressive, degenerative, or malignant medical condition) that has placed the child’s life in jeopardy. The Foundation charters local chapters throughout the United States, its territories, and possessions (Chapters) and provides financial support, guidance, and other assistance to such Chapters in performing the Foundation’s Purpose. As of August 31, 2022 and 2021, the Foundation had 59 active chartered Chapters.

Chapter Agreements entered into between each Chapter and the Foundation provide for common purposes and policy direction. The Chapter Agreement also provides the Foundation with a security interest in the assets of the Chapters. The Foundation has elected not to consolidate the Chapters’ financial results into the accompanying financial statements, except when the Foundation assumes control of a Chapter. As of and for the years ended August 31, 2022 and 2021, the combined Chapters’ financial results (excluding the Foundation, the financial results of which are presented in the accompanying financial statements) were as follows:

	Dollars in Millions	
	2022	2021
Total Assets	\$ 478.1	\$ 477.7
Total Liabilities	25.8	42.8
Total Net Assets	452.4	434.9
Total Revenues	230.4	227.7
Total Expenses	213.0	132.5

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.

Measure of Operations

The statement of activities for the Foundation includes in the definition of operations all resources and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists of the change in value of the split-interest agreements and the change in value of the interest rate swap.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

Investments held for long-term purposes have been segregated due to donor-imposed restrictions that limit their use to long-term purposes.

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.

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 39 years, with the exception of land, which is not depreciated. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Foundation utilizes the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

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 restriction when the assets are placed in service.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued) – 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, depending on the nature of the 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, grants, chapter assessments, and other income.

Chapter assessment revenue consist of dues paid by the individual chapters of the Foundation. The Foundation's obligations to the chapters include distributions from national revenue streams, PSA campaigns, and operational and programmatic support as necessary. These revenues are recognized over time as the year progresses.

Other income revenue consists of Shared Financial Services (SFS) fees, rental income, and rebates. These revenues are recognized over time as the services are delivered.

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.

Conditional promises to give are not recognized as contribution revenue and receivables until the conditions have been substantially met. As of August 31, 2022 and 2021, the Foundation has conditional promises to give totaling \$-0- and \$1,000,000, respectively, in which conditions have not yet been 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

<u>August 31, 2022</u>	Programs	Fundraising	Management and General	Total
Wish Related	\$ 8,857,126	\$ -	\$ -	\$ 8,857,126
Professional Services	-	174,928	-	174,928
Advertising and Media	72,390,233	205,199	-	72,595,432
Travel	47,965	-	-	47,965
Information Technology	525,151	-	267,491	792,642
Other	45,516	-	-	45,516
Total Program and Supported Service Expenses	<u>\$ 81,865,991</u>	<u>\$ 380,127</u>	<u>\$ 267,491</u>	82,513,609
Tickets				(5,277)
Investments (Asset)				-
Inventory (Asset)				87,827
Construction in Progress (Asset)				1,698,407
Total				<u>\$ 84,294,566</u>
<u>August 31, 2021</u>				
Wish Related	\$ 2,651,901	\$ -	\$ -	\$ 2,651,901
Professional Services	492,405	-	402,961	895,366
Storage	-	-	3,962	3,962
Advertising and Media	106,022,299	1,346,984	-	107,369,283
Other	-	-	500	500
Total Program and Supported Service Expenses	<u>\$ 109,166,605</u>	<u>\$ 1,346,984</u>	<u>\$ 407,423</u>	110,921,012
Tickets				(192,461)
Investments (Asset)				385,248
Inventory (Asset)				96,137
Property and Equipment (Capitalized)				55,800
Total				<u>\$ 111,265,736</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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Advertising and media are used to help the Foundation communicate its message or mission and includes fundraising 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.

Donated advertising and media are reported as contribution revenue when received and fundraising or public information, if allocated as a joint cost, expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

Rental income from tenants who lease space in the Foundation's headquarters building is recognized on a straight-line basis over the term of each lease agreement.

In-kind contributions related to wish granting are restricted to be used in granting wishes. No other in-kind contributions were received with donor restrictions.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Arizona taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Arizona Revised Statutes § 43-1201(4). 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 Arizona jurisdiction.

Functional Expenses

The Foundation performs six functions: wish granting, program-related support, training and development, public information, 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Program-Related Support

Activities performed by the Foundation that promote Chapter development, monitor and direct Chapters, assist Chapters in complying with policies and guidelines, provide support for day-to-day Chapter management decisions, develop wish resources, administer wish programs, handle wish referrals and provide wish assistance for Chapters and wish placement.

Training and Development

Activities performed by the Foundation consisting of national conference workshops and e-learning “best practices” classes prepared and conducted by the Foundation for the training, development and implementation of the wish programs of the Foundation, including but not limited to, the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation in communicating the purpose and services of the Foundation to all potential sources for wish referrals.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2022 and 2021, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 5,053,562	\$ 3,084,524
Public Information	2,114,086	2,282,548
Management and General	1,061,569	863,667
Total	<u>\$ 8,229,217</u>	<u>\$ 6,230,739</u>

Management and General

All costs not identifiable with a specific program or fundraising activity, 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$222,601 and \$103,565, respectively, at August 31, 2022 and 2021, and is included in Other Liabilities in the statements of financial position.

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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments, split-interest agreements and contributions receivable, in-kinds, and whether an allowance for uncollectible contributions receivable is required.

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.

NOTE 3 LIQUIDITY AND AVAILABILITY

The Foundation monitors liquidity regularly through the monthly financial package provided to the board of directors (board) and through the enterprise-wide Benchmarks of Excellence. The Foundation strives to maintain liquid financial assets sufficient to cover 6 months of general expenditures, while also maximizing the investment of current and long-term investment funds. Holding 6 to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

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

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2022</u>	<u>2021</u>
Total Financial Assets	\$ 50,128,052	\$ 52,022,809
Donor-Imposed Restrictions:		
Restricted Funds	(6,553,513)	(7,558,329)
Endowments	<u>(12,803,865)</u>	<u>(14,282,631)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 30,770,674</u>	<u>\$ 30,181,849</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 donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

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.

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

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

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 stock 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 stock, 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 turn-around situations.

Private equity and real estate 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.

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

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, except those measured at cost or by NAV per share as a practical expedient as identified in the following at August 31:

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2022</u>					
Investments:					
Mutual Funds	\$ 14,572,076	\$ -	\$ -	\$ -	\$ 14,572,076
Exchange-Traded Funds	235,620	-	-	-	235,620
Alternative Investments	-	-	-	25,397	25,397
Cash and Cash Equivalents	-	-	-	83,401	83,401
Total Investments	<u>14,807,696</u>	<u>-</u>	<u>-</u>	<u>108,798</u>	<u>14,916,494</u>
Investments Held for Split-Interest Agreements:					
Mutual Funds	1,448,787	-	-	-	1,448,787
Cash and Cash Equivalents	-	-	-	10,904	10,904
Total Investments Held for Split-Interest Agreements	<u>1,448,787</u>	<u>-</u>	<u>-</u>	<u>10,904</u>	<u>1,459,691</u>
Investments Held for Long-Term Purposes:					
Mutual Funds	14,913,711	-	-	-	14,913,711
Exchange-Traded Funds	314,096	-	-	-	314,096
Cash and Cash Equivalents	-	-	-	72,205	72,205
Total Investments Held for Long-Term Purposes	<u>15,227,807</u>	<u>-</u>	<u>-</u>	<u>72,205</u>	<u>15,300,012</u>
 Total Investments	 <u>\$ 31,484,290</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 191,907</u>	 <u>\$ 31,676,197</u>

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

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2021</u>					
Investments:					
Mutual Funds	\$ 11,687,567	\$ -	\$ -	\$ -	\$ 11,687,567
Exchange-Traded Funds	407,440	-	-	-	407,440
Equity Securities	2,058,688	-	-	-	2,058,688
Debt Securities	1,334,431	67,002	-	-	1,401,433
Alternative Investments	258,421	-	-	1,261,655	1,520,076
Cash and Cash Equivalents	-	-	-	202,957	202,957
Total Investments	<u>15,746,547</u>	<u>67,002</u>	<u>-</u>	<u>1,464,612</u>	<u>17,278,161</u>
Investments Held for Split-Interest Agreements:					
Mutual Funds	1,694,761	-	-	-	1,694,761
Exchange-Traded Funds	62,935	-	-	-	62,935
Debt Securities	102,965	-	-	-	102,965
Alternative Investments	86,649	-	-	-	86,649
Cash and Cash Equivalents	-	-	-	8,377	8,377
Total Investments Held for Split-Interest Agreements	<u>1,947,310</u>	<u>-</u>	<u>-</u>	<u>8,377</u>	<u>1,955,687</u>
Investments Held for Long-Term Purposes:					
Mutual Funds	16,373,580	-	-	-	16,373,580
Alternative Investments	778,125	-	-	-	778,125
Cash and Cash Equivalents	-	-	-	67,338	67,338
Total Investments Held for Long-Term Purposes	<u>17,151,705</u>	<u>-</u>	<u>-</u>	<u>67,338</u>	<u>17,219,043</u>
Total Investments	<u>\$ 34,845,562</u>	<u>\$ 67,002</u>	<u>\$ -</u>	<u>\$ 1,540,327</u>	<u>\$ 36,452,891</u>

For the valuation of investments, investments held for split-interest agreements and investments held for long-term purposes at August 31, 2022 and 2021, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at August 31:

Investment Strategy	2022			
	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 25,397	\$ -	Quarterly	45 Days
Total	<u>\$ 25,397</u>	<u>\$ -</u>		
Investment Strategy	2021			
	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 1,261,655	\$ -	Quarterly	45 Days
Total	<u>\$ 1,261,655</u>	<u>\$ -</u>		

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

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 2.79% to 6.50% at August 31, 2022 and 2021. The following is a summary of the Foundation's contributions receivable at August 31:

	2022	2021
Total Amounts Due in:		
One Year	\$ 4,219,696	\$ 3,315,680
Two to Five Years	1,182,143	3,029,525
More than Five Years	590,000	710,000
Gross Contributions Receivable	5,991,839	7,055,205
Less: Allowance for Doubtful Accounts	-	-
Less: Discount to Present Value	(398,089)	(536,319)
Contributions Receivable, Net	\$ 5,593,750	\$ 6,518,886

NOTE 6 SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is a general obligation of the Foundation. The Foundation records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using present value techniques. The discount rates used for the years ended August 31, 2022 and 2021, ranged from 0.4% to 6.2%. The charitable gift annuities account also includes assets from contributions and income totaling \$196,261 and \$254,510 at August 31, 2022 and 2021, respectively, for legally mandated reserves.

Liabilities to beneficiaries under charitable gift annuities totaled \$427,530 and \$474,452 at August 31, 2022 and 2021, respectively, and are included in Other Liabilities in the accompanying statements of financial position.

Liabilities to chapters who are designated as remainder beneficiaries under charitable gift annuities totaled \$806,698 and \$1,113,929 at August 31, 2022 and 2021, respectively, and are included in Due to Related Entities in the accompanying statements of financial position.

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

NOTE 7 TRANSACTIONS WITH RELATED ENTITIES

Chapters pay annual dues to the Foundation, which were \$20,607,527 and \$18,472,126 for the years ended August 31, 2022 and 2021. The Foundation supports the Chapters by providing funding and other support for the granting of wishes.

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and, as determined by the Foundation, are shared with the Chapters. 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, the Foundation provided the Chapters with contributions which were \$50,549,166 and \$51,239,277, respectively, from these national revenue streams.

As part of the Foundation's Wishes Forever Campaign, donors may designate chapters to receive periodic distributions, if and when such distributions are approved by the Foundation. Distributions are limited to income earned by the underlying assets which are held in perpetuity by the Foundation. Under this program, the Foundation provided the Chapters with contributions which were \$371,161 and \$528,366 for the years ended August 31, 2022 and 2021, respectively.

The Foundation conducts national fundraising efforts for which in-kind donations are received and shared with the Chapters. Donations received as a result of these efforts are reported in the statements of activities as in-kind contributions without donor restrictions and reported as Distributions to Related Entities, or expenses of the Foundation, in the statements of functional expenses. Under this program, the Foundation provided the Chapters with contributions which were \$8,857,126 and \$2,651,901 for the years ended August 31, 2022 and 2021, respectively.

As part of the Foundation's Wish Fulfillment Fund (a designated fund), Chapters may apply for funds that have been donated by corporate sponsors or other Chapters to underwrite the cost of wishes. Under this program, the Foundation provided 1 Chapter with contributions totaling \$92,000 during the year ended August 31, 2022, and 8 Chapters with contributions, totaling \$2,130,857 during the year ended August 31, 2021, which are reported in the statements of functional expenses as Distributions to Related Entities.

As part of the Foundation's grant and scholarship programs, Chapters may apply for funds to supplement existing programs to attend Foundation sponsored events. Under these programs, the Foundation provided chapters with contributions totaling \$79,000 and \$62,576 during the years ended August 31, 2022 and 2021, respectively, which are reported in the statements of functional expenses as Grants and Scholarships.

As of August 31, 2022 and 2021, respectively, the Foundation had amounts due from related entities of \$1,598,948 and \$409,594, and amounts due to related entities of \$9,200,588 and \$8,640,701.

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

NOTE 7 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from related entities represent annual chapter dues, Wish Fulfillment Fund contributions, and unreimbursed costs for joint administrative activities that have not been paid to the Foundation as of year-end. Amounts due to Related Entities represent contributions remitted to the Foundation that are specified for Chapters' use but were not yet transferred to the Chapters as of year-end or interests in Charitable Gift Annuities or Endowments for which Chapters are the beneficiary.

During 2022 and 2021, the Foundation received contributions, both cash and in-kind, from employees and board members totaling \$270,171 and \$1,692,666, respectively. As of August 31, 2022 and 2021, amounts due from employees and board members totaled \$750,000 and \$1,598,974, respectively, and are included in Contributions Receivable, Net, in the accompanying statements of financial position.

NOTE 8 PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Land	\$ 2,000,000	\$ 2,000,000
Building and Building Improvements	22,804,126	22,752,839
Computer Equipment	1,137,881	1,131,692
Computer Software	23,063,434	12,266,318
Office Furniture	137,020	137,020
Capital in Development	<u>1,579,024</u>	<u>1,966,599</u>
Total	50,721,485	40,254,468
Less: Accumulated Depreciation and Amortization	<u>(13,214,352)</u>	<u>(10,596,061)</u>
Property and Equipment, Net	<u>\$ 37,507,133</u>	<u>\$ 29,658,407</u>

Depreciation and amortization expense totaled \$2,719,657 and \$2,718,790 for the years ended August 31, 2022 and 2021, respectively.

NOTE 9 CREDIT AGREEMENT

The Foundation sponsors a corporate travel card account program (the Card Program) with a financial institution for the use of the Foundation and its Chapters. In the event of default by the sponsored account holder, the Foundation has the primary and continuing obligation of payment. The total credit limit under this credit agreement is \$15,000,000, while \$8,486,504 and \$3,983,243 was outstanding on this credit agreement as of August 31, 2022 and 2021, respectively. The outstanding balances on this credit agreement are recorded on the respective Chapters' financial statements.

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

NOTE 10 INTEREST RATE SWAP AGREEMENT

The Foundation entered into an interest rate swap agreement in October 2019 to protect against interest rate fluctuations on its variable rate debt with US Bank (see Note 11). The Foundation pays interest at the one month LIBOR rate. The notional amount of the contract at August 31, 2022 and 2021, is \$11,410,000. The notional amount under the agreement decreases as principal payments are made on the debt. As of August 31, 2022, the fair value of the interest rate swap was an asset of \$373,839. As of August 31, 2021, the fair value of the interest rate swap was an obligation of \$345,829.

NOTE 11 NOTE PAYABLE

The Foundation has financed their building loan using a financial instrument made up of a tax-exempt private placement bond issuance in the amount of \$11.4M and a note payable of \$6.4M. The Series 2019 Bonds bear interest at 0.8% of the LIBOR Index Rate plus a margin of 0.9% (2.8% on August 31, 2022) and will mature on October 1, 2046. The note payable bears interest at LIBOR rate plus a margin of 0.9% (3.275% on August 31, 2022) with interest only through June 1, 2022. After June 1, 2022, semi-annual principal payments ranging from \$260,000 to \$280,000 are due until the note matures on October 30, 2024. As of August 31, 2022 and 2021, the outstanding balances of the bonds and note are \$17,572,349 and \$17,832,348, respectively. Total interest paid was \$342,486 and \$324,922 for the years ended August 31, 2022 and 2021, respectively.

Future principal maturities are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2022	\$ 535,000
2023	550,000
2024	5,077,349
Thereafter	11,410,000
Total	<u>\$ 17,572,349</u>

NOTE 12 LEASES

The Foundation is obligated under two operating leases for equipment which expire on August 31, 2024. Total rent expense for all operating leases, for the years ended August 31, 2022 and 2021, totaled \$14,178 and \$15,016, 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	\$ 14,178
2024	14,178
Total Minimum Lease Payments	<u>\$ 28,356</u>

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NOTE 12 LEASES (CONTINUED)

The Foundation leases space in its headquarters building to unrelated parties under noncancelable operating leases that expire at various dates through November 2024. Revenue from the leased space for the years ended August 31, 2022 and 2021, totaled \$1,539,421 and \$702,352, respectively.

Future minimum payments to the Foundation under the leases of space in its headquarters building are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 1,959,835
2024	1,955,512
2025	1,748,325
2026	1,600,566
2027	116,676
Total	<u>\$ 7,380,914</u>

NOTE 13 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:		
Program and Mission Advancement	\$ 972,035	\$ 1,032,395
Building Campaign	230,442	314,300
Wish Granting and Chapter Support	1,098,649	1,232,220
Total	<u>2,301,126</u>	<u>2,578,915</u>
Subject to Passage of Time:		
Split-Interest Agreements	225,463	367,307
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	<u>4,020,618</u>	<u>4,839,408</u>
Total	4,246,081	5,206,715
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	2,225,535	4,721,426
Original Donor-Restricted Gift Amounts to be Maintained in Perpetuity	10,578,330	9,561,205
Promises to Give Restricted to Endowment	231,769	114,047
Cash Restricted to Endowment	-	25,959
Total Endowments	<u>13,035,634</u>	<u>14,422,637</u>
Total Donor-Restricted Net Assets	<u>\$ 19,582,841</u>	<u>\$ 22,208,267</u>

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NOTE 14 ENDOWMENTS

The Foundation's endowment consists of two general endowments and a group of funds established for the purpose of granting children's wishes, which together total 53 and 52 individual donor-restricted funds as of August 31, 2022 and 2021, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets are reflected as Investments Held for Long-Term Purposes on the statements of financial position.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor-restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulated earnings on the donor-restricted endowment funds. The accumulated earnings on the endowment funds remain treated as donor-restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net asset 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>
Donor-Restricted Endowment Funds	\$ -	\$ 12,803,865	\$ 12,803,865
Board-Designated Endowment Funds	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 12,803,865</u>	<u>\$ 12,803,865</u>
<u>August 31, 2021</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 14,282,631	\$ 14,282,631
Board-Designated Endowment Funds	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 14,282,631</u>	<u>\$ 14,282,631</u>

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NOTE 14 ENDOWMENTS (CONTINUED)

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

August 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 14,282,631	\$ 14,282,631
Investment Return, Net	-	(2,184,099)	(2,184,099)
Contributions	-	1,017,125	1,017,125
Appropriation of Endowment Asset for Expenditure	-	(311,792)	(311,792)
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 12,803,865</u>	<u>\$ 12,803,865</u>
<u>August 31, 2021</u>			
Endowment Net Assets - Beginning of Year	\$ -	\$ 12,419,268	\$ 12,419,268
Investment Return, Net	-	2,256,768	2,256,768
Contributions	-	112,865	112,865
Appropriation of Endowment Asset for Expenditure	-	(523,210)	(523,210)
Other Changes: Release of Restrictions	-	16,940	16,940
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 14,282,631</u>	<u>\$ 14,282,631</u>

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of August 31, 2022, funds with original gift values of \$1,564,045 and fair values of \$1,487,585, and deficiencies of \$76,460 were reported in net assets with donor restrictions. As of August 31, 2021, there were no fund balance deficiencies. These deficiencies, which the Foundation believes are temporary, resulted from unfavorable market conditions.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified purpose. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to generate a level of current income (interest and dividends) consistent with the overriding investment goal of the fund while avoiding excessive risk.

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NOTE 14 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters (Continued)

The Foundation expects its endowment funds, over time, to achieve a total return in excess of the rate of inflation plus cash flow needs over the investment horizon in order to preserve purchasing power of Fund assets. The overriding investment goal of the fund is to conserve and enhance the capital value of the fund in real terms, through asset appreciation and income generation. Actual returns in any given year may vary from this goal.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year between 3% and 5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. However, if the market value of "Named" and "Legacy" funds, as defined in the Endowment Policy are less than the fund's threshold level, the distribution will be less than the Targeted Distribution, as defined in the Endowment Policy. If the market value of "Named" and "Legacy" endowment funds, are less than the fund's corpus but more than the threshold level, the distribution will be limited to the lower of its Targeted Distribution or Realized Increase, as defined in the Endowment Policy. The Endowment Policy also entitles the Foundation to receive, from each fund, a reasonable percentage, not to exceed 3% of the fund's market value, for administering the fund. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 15 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan if they have reached 21 years of age and are employed upon the applicable entry date. 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 100% of employee contributions up to 5% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2022 and 2021, were \$684,344 and \$633,459, respectively.

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NOTE 16 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.

In-kind contributions totaling \$72,595,432 and \$107,369,283 were received from one donor for the years ended August 31, 2022 and 2021, which represent 40.3% and 54.2% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 17 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, based on consultation with legal counsel, possible losses, if any, are immaterial to the Foundation's financial position, change in net assets, or liquidity, consequently, no provision has been made in the accompanying financial statements for losses, if any, which might result from the ultimate outcome of such matters.

NOTE 18 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), the Foundation 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.

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

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NOTE 19 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved a \$3,931,625 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan was received on April 22, 2020. The loan accrues interest at 1%, but payments are not required to begin for seven 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 \$3,931,625 on June 8, 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 20 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 20, 2023, the date at which the financial statements were available to be issued.



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