

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



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

Board of Directors
Make-A-Wish Foundation® of Hawaii
Honolulu, Hawaii

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Hawaii (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 Hawaii 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 Hawaii 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 Hawaii'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 Hawaii'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 Hawaii'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
June 9, 2023

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

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 1,333,082	\$ 1,127,915
Investments	3,550,791	3,988,221
Due from Related Entities	1,448,627	48,920
Prepaid Expenses	66,271	39,619
Contributions Receivable, Net	276,513	64,283
Other Assets	29,137	29,863
Investments Held for Long-Term Purposes	120,638	146,385
Property and Equipment, Net	45,613	57,011
Total Assets	\$ 6,870,672	\$ 5,502,217
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 609,758	\$ 223,836
Due to Related Entities	3,217	349
Other Liabilities	-	37,550
Paycheck Protection Program Loan	-	353,152
Total Liabilities	612,975	614,887
NET ASSETS		
Without Donor Restrictions	5,610,097	4,378,827
With Donor Restrictions	647,600	508,503
Total Net Assets	6,257,697	4,887,330
Total Liabilities and Net Assets	\$ 6,870,672	\$ 5,502,217

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 2,349,438	\$ 6,000	\$ 2,355,438
Contributions, Donated Goods and Services	589,272	220,963	810,235
Grants	643,783	-	643,783
Total Public Support	3,582,493	226,963	3,809,456
Internal Special Events, Cash	930,576	-	930,576
Internal Special Events, Donated Goods and Services	300,755	-	300,755
Less: Costs of Direct Benefits to Donors	(406,141)	-	(406,141)
Total Internal Special Events	825,190	-	825,190
Investment Income, Net	(441,714)	(25,748)	(467,462)
Forgiveness of Paycheck Protection Program Loan	353,152	-	353,152
Other Income	597,668	-	597,668
Net Assets Released from Restrictions	62,118	(62,118)	-
Total Revenues, Gains, and Other Support	4,978,907	139,097	5,118,004
 EXPENSES			
Program Services:			
Wish Granting	2,393,283	-	2,393,283
Support Services:			
Fundraising	664,204	-	664,204
Management and General	687,350	-	687,350
Total Support Services	1,351,554	-	1,351,554
Total Expenses	3,744,837	-	3,744,837
 OTHER LOSSES			
Loss on Disposal of Equipment	2,800	-	2,800
 CHANGE IN NET ASSETS			
	1,231,270	139,097	1,370,367
Net Assets - Beginning of Year	4,378,827	508,503	4,887,330
 NET ASSETS - END OF YEAR			
	\$ 5,610,097	\$ 647,600	\$ 6,257,697

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,246,564	\$ 1,835	\$ 1,248,399
Contributions, Donated Goods and Services	261,008	12,800	273,808
Grants	186,750	-	186,750
Total Public Support	1,694,322	14,635	1,708,957
Internal Special Events, Cash	738,395	5,000	743,395
Internal Special Events, Donated Goods and Services	66,845	-	66,845
Less: Costs of Direct Benefits to Donors	(120,045)	-	(120,045)
Total Internal Special Events	685,195	5,000	690,195
Investment Income, Net	414,759	21,535	436,294
Forgiveness of Paycheck Protection Program Loan	353,900	-	353,900
Other Income	2,239	-	2,239
Net Assets Released from Restrictions	122,828	(122,828)	-
Total Revenues, Gains, and Other Support	3,273,243	(81,658)	3,191,585
EXPENSES			
Program Services:			
Wish Granting	1,285,005	-	1,285,005
Support Services:			
Fundraising	614,235	-	614,235
Management and General	575,817	-	575,817
Total Support Services	1,190,052	-	1,190,052
Total Expenses	2,475,057	-	2,475,057
CHANGE IN NET ASSETS	798,186	(81,658)	716,528
Net Assets - Beginning of Year	3,580,641	590,161	4,170,802
NET ASSETS - END OF YEAR	\$ 4,378,827	\$ 508,503	\$ 4,887,330

See accompanying Notes to Financial Statements.

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

	Program Services		Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	Direct Donor Benefits	
Direct Costs of Wishes	\$ 1,156,382	\$ -	\$ -	\$ -	\$ -	\$ 1,156,382
Salaries, Taxes, and Benefits	837,473	490,327	469,050	959,377	-	1,796,850
Printing, Subscriptions, and Publications	7,292	23,736	1,042	24,778	-	32,070
Professional Fees	34,777	16,395	80,593	96,988	-	131,765
Rent and Utilities	98,690	39,744	36,792	76,536	-	175,226
Postage and Delivery	2,055	2,556	(239)	2,317	-	4,372
Travel	3,247	1,761	2,611	4,372	-	7,619
Meetings and Conferences	17,562	5,994	9,073	15,067	-	32,629
Office Supplies	23,030	1,818	922	2,740	-	25,770
Communications	7,069	2,713	2,181	4,894	-	11,963
Advertising and Media (Cash)	-	31	-	31	-	31
Repairs and Maintenance	3,899	1,734	1,277	3,011	-	6,910
Membership Dues	-	335	630	965	-	965
National Partnership Dues	170,766	30,833	35,576	66,409	-	237,175
Miscellaneous	16,849	40,220	43,011	83,231	-	100,080
Depreciation and Amortization	14,192	6,007	4,831	10,838	-	25,030
Special Event - Direct Donor Benefits	-	-	-	-	406,141	406,141
Total Expenses by Function	<u>2,393,283</u>	<u>664,204</u>	<u>687,350</u>	<u>1,351,554</u>	<u>406,141</u>	<u>4,150,978</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(406,141)	(406,141)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,393,283</u>	<u>\$ 664,204</u>	<u>\$ 687,350</u>	<u>\$ 1,351,554</u>	<u>\$ -</u>	<u>\$ 3,744,837</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF HAWAII
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	\$ 437,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 437,020
Salaries, Taxes, and Benefits	528,797	421,268	380,276	801,544	-	-	1,330,341
Printing, Subscriptions, and Publications	6,661	25,557	2,362	27,919	-	-	34,580
Professional Fees	4,509	4,297	54,843	59,140	-	-	63,649
Rent and Utilities	81,511	41,713	46,519	88,232	-	-	169,743
Postage and Delivery	2,705	3,184	1,428	4,612	-	-	7,317
Travel	6,135	5,378	3,745	9,123	-	-	15,258
Meetings and Conferences	27	11,402	3,881	15,283	-	-	15,310
Office Supplies	29,803	2,086	1,304	3,390	-	-	33,193
Communications	5,534	2,819	3,151	5,970	-	-	11,504
Advertising and Media (Cash)	-	5,761	-	5,761	-	-	5,761
Advertising and Media (In-Kind)	-	26,342	-	26,342	-	-	26,342
Repairs and Maintenance	3,785	1,996	2,195	4,191	-	-	7,976
Membership Dues	130	66	424	490	-	-	620
National Partnership Dues	154,313	27,862	32,148	60,010	-	-	214,323
Miscellaneous	15,200	29,984	38,486	68,470	-	-	83,670
Depreciation and Amortization	8,875	4,520	5,055	9,575	-	-	18,450
Special Event - Direct Donor Benefits	-	-	-	-	120,045	-	120,045
Total Expenses by Function	<u>1,285,005</u>	<u>614,235</u>	<u>575,817</u>	<u>1,190,052</u>	<u>120,045</u>	<u>120,045</u>	<u>2,595,102</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,045)</u>	<u>(120,045)</u>	<u>(120,045)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,285,005</u>	<u>\$ 614,235</u>	<u>\$ 575,817</u>	<u>\$ 1,190,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,475,057</u>

See accompanying Notes to Financial Statements.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,370,367	\$ 716,528
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	25,030	18,450
Forgiveness of Paycheck Protection Program Loan	(353,152)	(353,900)
Net Realized and Unrealized (Gains) Losses on Investments	489,815	(411,818)
Loss on Disposal of Property and Equipment	2,800	-
Contributed Other Assets	(1,603)	13,696
(Increase) Decrease in Assets:		
Contributions Receivable	(212,230)	61,028
Due from Related Entities	(1,399,707)	11,454
Prepaid Expenses	(26,652)	17,447
Other Assets	2,329	(27,212)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	385,922	79,864
Due to Related Entities	2,868	(3,551)
Other Liabilities	(37,550)	17,550
Net Cash Provided by Operating Activities	248,237	139,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,577,939)	(1,841,216)
Proceeds from Sales of Investments	1,551,301	1,014,461
Purchases of Property and Equipment	(16,432)	(39,839)
Net Cash Used by Investing Activities	(43,070)	(866,594)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	353,152
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	205,167	(373,906)
Cash and Cash Equivalents - Beginning of Year	1,127,915	1,501,821
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,333,082	\$ 1,127,915
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributed Other Assets	\$ -	\$ 13,696

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (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, Net

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 HAWAII
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost of greater than \$500 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 seven years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

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

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

Revenue Recognition

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

Special event revenue consists of registrations, sponsorships and other contributions. The exchange element of the special event revenue was approximately \$406,000 and \$120,000 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 HAWAII
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. Conditional promises outstanding for the years ended August 31, 2022 and 2021 were \$-0- and \$25,000, respectively.

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

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

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>August 31, 2022</u>				
Wish Related	\$ 503,482	\$ -	\$ -	\$ 503,482
Professional Services	369	156	125	650
Rent	63,922	25,170	25,052	114,144
Other	13,462	11,198	3,222	27,882
Total	<u>\$ 581,235</u>	<u>\$ 36,524</u>	<u>\$ 28,399</u>	646,158
Internal Special Events				300,755
Contributions Receivable, Net Change				165,680
Other Assets, Net Change				(1,603)
Total				<u>\$ 1,110,990</u>
<u>August 31, 2021</u>				
Wish Related	\$ 134,951	\$ -	\$ -	\$ 134,951
Rent	54,903	27,965	31,275	114,143
Advertising and Media	-	26,342	-	26,342
Other	21,948	13,570	9,186	44,704
Total	<u>\$ 211,802</u>	<u>\$ 67,877</u>	<u>\$ 40,461</u>	320,140
Internal Special Events				66,845
Contributions Receivable, Net Change				(60,028)
Other Assets, Net Change				13,696
Total				<u>\$ 340,653</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 HAWAII
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items. The Foundation estimates the fair value of these donated items based on the current market rates for similar items in the Foundation's market. The Foundation receives auction items to be sold at its special events. Contributed auction items are valued at the gross selling price received and the value is included in internal special event revenue on the statement of activities. The amount of auction items received and sold during the years ended August 31, 2022 and 2021 totaled \$113,052 and \$126,449, 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.

Wish assist fee income of \$690 per wish coordinated by the Foundation is earned when a wish for child from another Make-a-Wish chapter is fully granted. The amount of wish assist fee income earned for the year-ended ended August 31, 2022 and 2021 totaled \$569,980 and \$-0-, respectively. The beginning and ending balance of wish assist fee receivable (included in due from related entities on the statement of financial position) was \$-0- and \$171,810, respectively at August 31, 2022 and \$-0- at August 31, 2021.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Hawaii state income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and the Hawaii State tax code. 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Fundraising

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

Management and General

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

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

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.

	<u>2022</u>	<u>2021</u>
Total Financial Assets	\$ 6,729,651	\$ 5,375,724
Donor-Imposed Restrictions:		
Restricted Funds	(526,962)	(362,118)
Endowments	<u>(120,638)</u>	<u>(146,385)</u>
Net Financial Assets after Donor-Imposed Restrictions	6,082,051	4,867,221
Internal Designations:		
Board of Directors Designated Endowments	<u>(96,611)</u>	<u>(117,230)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,985,440</u>	<u>\$ 4,749,991</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 and funds designated by the board as 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.

Board of directors designated endowment of \$96,611 and \$117,230, respectively, at August 31, 2022 and 2021 is subject to an annual spending as described in Note 10. Although the Foundation does not intend to spend from this board of directors designated endowment (other than amounts appropriated for general expenditure as part of the board of director's annual budget approval and appropriation), these amounts could be made available if necessary.

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.

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

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's audit and finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

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	\$ 25,430	\$ -	\$ -	\$ -	\$ 25,430
Exchange-Traded Funds	718,465	-	-	-	718,465
Equity Securities	1,550,821	-	-	-	1,550,821
Debt Securities	-	246,678	-	-	246,678
Certificates of Deposit	-	-	-	1,101,057	1,101,057
Cash	-	-	-	28,978	28,978
Total Investments	<u>\$ 2,294,716</u>	<u>\$ 246,678</u>	<u>\$ -</u>	<u>\$ 1,130,035</u>	<u>\$ 3,671,429</u>
<u>August 31, 2021</u>					
Investments:					
Mutual Funds	\$ 54,187	\$ -	\$ -	\$ -	\$ 54,187
Exchange-Traded Funds	1,603,617	-	-	-	1,603,617
Equity Securities	1,093,844	-	-	-	1,093,844
Debt Securities	-	237,201	-	-	237,201
Certificates of Deposit	-	-	-	1,100,000	1,100,000
Cash	-	-	-	45,757	45,757
Total Investments	<u>\$ 2,751,648</u>	<u>\$ 237,201</u>	<u>\$ -</u>	<u>\$ 1,145,757</u>	<u>\$ 4,134,606</u>

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NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation’s contributions receivable as of August 31, 2022 and 2021 were \$276,513 and \$64,283, respectively, which are due from six and three donors, respectively. All contributions receivable are due within the next 12 months.

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 \$413,481 and \$404,260 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. Amounts totaling \$278,632 and \$252,250 were paid from the Foundation to the National Organization during the years ended August 31, 2022 and 2021, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$569,980 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 at August 31:

	2022	2021
Due from National Organization	\$ 37,169	\$ 48,617
Due from Other Chapters	1,411,458	303
Total Due from Related Entities	\$ 1,448,627	\$ 48,920
Due to National Organization	\$ 279	\$ 349
Due to Other Chapters	2,938	-
Total Due to Related Entities	\$ 3,217	\$ 349

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.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

During the years ended August 31, 2022 and 2021, the Foundation received contributions, both cash and in-kind, from board members totaling \$133,279 and \$102,267, respectively.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	2022	2021
Computer Equipment and Software	\$ 76,112	\$ 74,546
Other Equipment	198,383	198,383
Leasehold Improvements	60,642	60,642
Total	<u>335,137</u>	<u>333,571</u>
Less: Accumulated Depreciation and Amortization	<u>(289,524)</u>	<u>(276,560)</u>
Property and Equipment, Net	<u>\$ 45,613</u>	<u>\$ 57,011</u>

Depreciation and amortization expense totaled \$25,030 and \$18,450, respectively for the years ended August 31, 2022 and 2021.

NOTE 8 NOTES PAYABLE

The Foundation had a secured line of credit with a financial institution totaling \$700,000, bearing interest at 2.75% and expired on September 1, 2022. The line of credit was subsequently extended through June 1, 2024 with an interest rate of 4.25%. There was no outstanding balance on this line of credit as of August 31, 2022 and 2021.

NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through December 2026. Total rent expense for all operating leases for the years ended August 31, 2022 and 2021 totaled \$162,927 and \$164,703, respectively. Subsequent to year-end, the Foundation entered into a lease for office space through April 2030. The future minimum payments are included in the table below.

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NOTE 9 LEASES (CONTINUED)

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>Operating Leases</u>
2023	\$ 19,780
2024	47,084
2025	47,608
2026	49,180
2027	46,156
Thereafter	126,532
Present Value of Net Minimum Lease Payments	<u>\$ 336,340</u>

NOTE 10 NET ASSETS

Net Assets Without Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Board-Designated Endowment Funds	<u>\$ 96,611</u>	<u>\$ 117,230</u>

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	\$ 526,962	\$ 301,835
Donated Rent	-	55,283
Total	<u>526,962</u>	<u>357,118</u>
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	-	5,000
Total	<u>-</u>	<u>5,000</u>
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	(4,212)	21,535
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Wish Granting	<u>124,850</u>	<u>124,850</u>
Total	<u>120,638</u>	<u>146,385</u>
Total Donor-Restricted Net Assets	<u>\$ 647,600</u>	<u>\$ 508,503</u>

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NOTE 11 ENDOWMENTS

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

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

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Hawaii 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

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NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
August 31, 2022			
Donor-Restricted Endowment Funds	\$ -	\$ 120,638	\$ 120,638
Board-Designated Endowment Funds	96,611	-	96,611
Total Funds	\$ 96,611	\$ 120,638	\$ 217,249
August 31, 2021			
Donor-Restricted Endowment Funds	\$ -	\$ 146,385	\$ 146,385
Board-Designated Endowment Funds	117,230	-	117,230
Total Funds	\$ 117,230	\$ 146,385	\$ 263,615

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

	Without Donor Restrictions	With Donor Restrictions	Total
August 31, 2022			
Endowment Funds - Beginning of Year	\$ 117,230	\$ 146,385	\$ 263,615
Investment Return:			
Investment Income	887	1,108	1,995
Net Appreciation (Realized and Unrealized)	(21,506)	(26,855)	(48,361)
Total Investment Return	96,611	120,638	217,249
Endowment Funds - End of Year	\$ 96,611	\$ 120,638	\$ 217,249
August 31, 2021			
Endowment Funds - Beginning of Year	\$ 99,984	\$ 124,850	\$ 224,834
Investment Return:			
Investment Income	478	597	1,075
Net Appreciation (Realized and Unrealized)	16,768	20,938	37,706
Total Investment Return	117,230	146,385	263,615
Endowment Funds - End of Year	\$ 117,230	\$ 146,385	\$ 263,615

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, one endowment fund is underwater by \$4,213. There are no fund deficiencies as of August 31, 2021.

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NOTE 11 ENDOWMENTS (CONTINUED)

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 fund(s) 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 period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

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 any investment income earned or generated from its endowment fund.

NOTE 12 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. 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 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2022 and 2021 were \$27,226 and \$25,263, respectively.

NOTE 13 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.

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NOTE 13 CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Contributions totaling \$750,000 were received from a single donor for the year ended August 31, 2022, which represents 16% total of raised revenue which consists of total public support and gross internal special event revenue. Contributions totaling \$326,427 were received from a single donor for the year ended August 31, 2021, which represents 13% total of raised revenue which consists of total public support and gross internal special event revenue. Should these contribution levels decrease the Foundation may be adversely affected.

As of August 31, 2022, two donors accounted for 91% of the contributions receivable. As of August 31, 2021, one donor accounted for 86% of the contributions receivable.

NOTE 14 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the years ending August 31, 2022 and 2021, the Foundation granted 72 and 37 wishes, respectively. As of August 31, 2022 and 2021, respectively, there were approximately 110 and 140 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2022 was \$8,120 in cash and \$6,146 in in-kind for a total cost of \$14,266. The average cost of a wish for the year ended August 31, 2021 was \$7,545 in cash and \$3,241 in in-kind for a total cost of \$10,786.

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 to fiscal year 2020, travel wishes have been approximately 84% of wishes granted and the number of granted wishes averaged approximately 94. The number of wishes granted during the years ended August 31, 2022 and 2021 was 72 and 37, 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 \$353,900 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 13, 2020. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation received forgiveness of \$353,900 on November 11, 2020.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$353,152 loan. The loan was received on February 5, 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 \$353,152 on December 7, 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 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 \$441,250 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 June 9, 2023, the date at which the financial statements were available to be issued.



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