

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



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Arizona  
Scottsdale, Arizona

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Arizona (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 Arizona 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 Arizona 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 Arizona'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 Arizona'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 Arizona'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  
April 7, 2023

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

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,513,906	\$ 3,188,468
Investments	4,050,647	4,605,670
Due from Related Entities	221,647	85,238
Prepaid Expenses	265,793	434,175
Contributions Receivable, Net	1,675,689	1,421,732
Other Assets	103,816	132,380
Split-Interest Agreements	54,011	72,801
Property and Equipment, Net	2,446,347	2,603,561
Beneficial Interest in Assets Held by Others	313,500	370,915
	\$ 13,645,356	\$ 12,914,940
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 957,275	\$ 820,438
Due to Related Entities	113,571	27,796
Other Liabilities	400	-
Capital Lease Obligation	8,292	1,145
Paycheck Protection Program	-	502,387
	1,079,538	1,351,766
<b>NET ASSETS</b>		
Without Donor Restrictions	9,965,275	9,024,597
With Donor Restrictions	2,600,543	2,538,577
Total Net Assets	12,565,818	11,563,174
Total Liabilities and Net Assets	\$ 13,645,356	\$ 12,914,940

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Cash	\$ 4,740,422	\$ 502,909	\$ 5,243,331
Contributions, Donated Goods and Services	1,092,428	227,743	1,320,171
Grants	494,193	-	494,193
Total Public Support	6,327,043	730,652	7,057,695
Internal Special Events, Cash	2,896,454	-	2,896,454
Internal Special Events, Donated Goods and Services	28,915	-	28,915
Less: Costs of Direct Benefits to Donors	(390,103)	-	(390,103)
Total Special Events	2,535,266	-	2,535,266
Investment Income, Net	(553,809)	-	(553,809)
Forgiveness of Paycheck Protection Program Loan	502,387	-	502,387
Other Income	5,509	-	5,509
Change in Value of Split Interest Agreements	-	(18,790)	(18,790)
Change in Value of Beneficial Interest in Assets Held by Others	-	(54,396)	(54,396)
Net Assets Released from Restrictions	595,500	(595,500)	-
Total Revenues, Gains, and Other Support	9,411,896	61,966	9,473,862
<b>EXPENSES</b>			
Program Services:			
Wish Granting	5,689,488	-	5,689,488
Support Services:			
Fundraising	1,421,402	-	1,421,402
Management and General	1,360,328	-	1,360,328
Total Support Services	2,781,730	-	2,781,730
Total Expenses	8,471,218	-	8,471,218
<b>CHANGE IN NET ASSETS</b>	940,678	61,966	1,002,644
Net Assets - Beginning of Year	9,024,597	2,538,577	11,563,174
<b>NET ASSETS - END OF YEAR</b>	\$ 9,965,275	\$ 2,600,543	\$ 12,565,818

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Cash	\$ 3,910,732	\$ 1,990,450	\$ 5,901,182
Contributions, Donated Goods and Services	348,487	8,323	356,810
Grants	84,527	12,128	96,655
Total Public Support	4,343,746	2,010,901	6,354,647
Internal Special Events, Cash	1,191,731	57,860	1,249,591
Internal Special Events, Donated Goods and Services	13,967	-	13,967
Less: Costs of Direct Benefits to Donors	(330,367)	-	(330,367)
Total Special Events	875,331	57,860	933,191
Investment Income, Net	157,392	-	157,392
Forgiveness of Paycheck Protection Program Loan	442,100	-	442,100
Other Income			
Change in Value of Split Interest Agreements	-	16,420	16,420
Change in Value of Beneficial Interest in Assets Held by Others	-	73,004	73,004
Net Assets Released from Restrictions	236,143	(236,143)	-
Total Revenues, Gains, and Other Support	6,054,712	1,922,042	7,976,754
<b>EXPENSES</b>			
Program Services:			
Wish Granting	4,313,669	-	4,313,669
Support Services:			
Fundraising	1,490,953	-	1,490,953
Management and General	1,098,545	-	1,098,545
Total Support Services	2,589,498	-	2,589,498
Total Expenses	6,903,167	-	6,903,167
<b>OTHER LOSSES</b>			
Losses on Disposal of Property and Equipment	(1,861)	-	(1,861)
<b>CHANGE IN NET ASSETS</b>	(850,316)	1,922,042	1,071,726
Net Assets - Beginning of Year	9,874,913	616,535	10,491,448
<b>NET ASSETS - END OF YEAR</b>	\$ 9,024,597	\$ 2,538,577	\$ 11,563,174

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**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	\$ 3,350,222	\$ -	\$ -	\$ -	\$ -	\$ 3,350,222
Salaries, Taxes, and Benefits	1,751,651	927,617	892,192	1,819,809	-	3,571,460
Printing, Subscriptions, and Publications	7,752	116,116	6,109	122,225	-	129,977
Professional Fees	6,447	50,186	217,547	267,733	-	274,180
Rent and Utilities	42,993	22,812	21,935	44,747	-	87,740
Postage and Delivery	3,455	29,705	2,039	31,744	-	35,199
Travel	6,214	18,197	1,460	19,657	-	25,871
Meetings and Conferences	7,941	39,850	11,695	51,545	-	59,486
Office Supplies	34,664	4,801	4,689	9,490	-	44,154
Communications	17,534	11,144	8,343	19,487	-	37,021
Advertising and Media (Cash)	-	4,417	-	4,417	-	4,417
Repairs and Maintenance	4,035	2,141	2,059	4,200	-	8,235
Membership Dues	-	2,795	1,029	3,824	-	3,824
National Partnership Dues	348,668	62,954	72,639	135,593	-	484,261
Miscellaneous	15,879	79,833	71,639	151,472	-	167,351
Depreciation and Amortization	92,033	48,834	46,953	95,787	-	187,820
Special Event - Direct Donor Benefits	-	-	-	-	390,103	390,103
Total	<u>5,689,488</u>	<u>1,421,402</u>	<u>1,360,328</u>	<u>2,781,730</u>	<u>390,103</u>	<u>8,861,321</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(390,103)	(390,103)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 5,689,488</u>	<u>\$ 1,421,402</u>	<u>\$ 1,360,328</u>	<u>\$ 2,781,730</u>	<u>\$ -</u>	<u>\$ 8,471,218</u>

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**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	\$ 2,064,676	\$ -	\$ -	\$ -	\$ -	\$ 2,064,676
Salaries, Taxes, and Benefits	1,546,803	1,007,917	771,738	1,779,655	-	3,326,458
Printing, Subscriptions, and Publications	8,516	112,998	2,933	115,931	-	124,447
Professional Fees	22,214	41,434	122,731	164,165	-	186,379
Rent and Utilities	34,598	22,545	17,749	40,294	-	74,892
Postage and Delivery	4,113	24,154	2,401	26,555	-	30,668
Travel	2,405	3,726	1	3,727	-	6,132
Meetings and Conferences	246	30,284	2,192	32,476	-	32,722
Office Supplies	11,853	3,558	2,203	5,761	-	17,614
Communications	16,961	12,507	7,919	20,426	-	37,387
Advertising and Media (Cash)	-	5,014	-	5,014	-	5,014
Repairs and Maintenance	2,086	1,359	1,158	2,517	-	4,603
Insurance	125	82	63	145	-	270
Membership Dues	-	2,362	946	3,308	-	3,308
National Partnership Dues	479,713	86,615	99,940	186,555	-	666,268
Miscellaneous	27,806	76,741	20,893	97,634	-	125,440
Depreciation and Amortization	91,554	59,657	45,678	105,335	-	196,889
Special Event - Direct Donor Benefits	-	-	-	-	330,367	330,367
<b>Total</b>	<b>4,313,669</b>	<b>1,490,953</b>	<b>1,098,545</b>	<b>2,589,498</b>	<b>330,367</b>	<b>7,233,534</b>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(330,367)	(330,367)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 4,313,669</b>	<b>\$ 1,490,953</b>	<b>\$ 1,098,545</b>	<b>\$ 2,589,498</b>	<b>\$ -</b>	<b>\$ 6,903,167</b>

See accompanying Notes to Financial Statements.

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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,002,644	\$ 1,071,726
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	187,820	196,889
Forgiveness of Paycheck Protection Program Loan	(502,387)	(442,100)
Loss on Disposal of Property and Equipment	-	1,861
Net Realized and Unrealized (Gains) Losses on Investments	665,475	(152,282)
Distributions from Beneficial Interest Held by Others	3,019	2,543
Change in Value of Beneficial Interests in Assets Held by Others	54,396	(73,004)
Change in Value of Split-Interest Agreements	18,790	(16,420)
Change in Discount to Present Value of Contributions Receivable	(9,551)	6,851
(Increase) Decrease in Assets:		
Contributions Receivable	(244,406)	(1,184,883)
Due from Related Entities	(136,409)	(27,173)
Prepaid Expenses	168,382	53,475
Other Assets	28,564	(43,634)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	136,837	141,566
Due to Related Entities	85,775	8,896
Other Liabilities	400	(58,000)
Net Cash Provided (Used) by Operating Activities	1,459,349	(513,689)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,576,265)	(4,453,388)
Proceeds from Sales of Investments	1,465,813	-
Purchases of Property and Equipment	(22,071)	(23,061)
Net Cash Used by Investing Activities	(132,523)	(4,476,449)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	(1,388)	(1,844)
Proceeds from Paycheck Protection Program	-	502,387
Net Cash Provided (Used) by Financing Activities	(1,388)	500,543
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,325,438	(4,489,595)
Cash and Cash Equivalents - Beginning of Year	3,188,468	7,678,063
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,513,906	\$ 3,188,468
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest Expense	\$ 167	\$ 172
Acquisition of Equipment Through a Capital Lease	\$ 8,535	\$ -

See accompanying Notes to Financial Statements.

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

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Arizona (the Foundation) is an Arizona 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 (the 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 entered into with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Cash and Cash Equivalents**

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

**Investments**

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

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

**Contributions Receivable**

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

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

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

**Property and Equipment, Net**

Property and equipment having a unit cost greater than \$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 3 to 10 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 ARIZONA**  
**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 a building reserve.

*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 \$390,000 and \$330,000 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 ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

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

**Revenue Recognition (Continued)**

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

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

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

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>August 31, 2022</u>				
Wish Related	\$ 1,081,807	\$ -	\$ -	\$ 1,081,807
Professional Services	1,422	-	-	1,422
Other	827	24,087	4,000	28,914
Total	<u>\$ 1,084,056</u>	<u>\$ 24,087</u>	<u>\$ 4,000</u>	1,112,143
Contributions Receivable, Net Change				219,420
Other Assets, Net Change				17,523
Total				<u>\$ 1,349,086</u>
 <u>August 31, 2021</u>				
Wish Related	\$ 313,202	\$ -	\$ -	\$ 313,202
Professional Services	3,424	6,359	1,260	11,043
Rent	4,044	2,635	2,018	8,697
Other	7,177	9,583	2,856	19,616
Total	<u>\$ 327,847</u>	<u>\$ 18,577</u>	<u>\$ 6,134</u>	352,558
Internal Special Events				10,598
Contributions Receivable, Net Change				8,323
Other Assets, Net Change				(702)
Total				<u>\$ 370,777</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 ARIZONA**  
**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 \$920,808 and \$137,311, respectively.

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

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal and Arizona income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Arizona Revised Statutes 43-1201(4), respectively. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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

**Functional Expenses**

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

**Wish Granting**

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

**Fundraising**

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

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

**Functional Expenses (Continued)**

**Management and General**

All costs not identifiable with 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 months to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

	2022	2021
Total Financial Assets	\$ 10,461,889	\$ 9,301,108
Donor-Imposed Restrictions:		
Restricted Funds	(2,233,032)	(2,094,861)
Net Financial Assets after Donor-Imposed Restrictions	8,228,857	7,206,247
Internal Designations:		
Board-Designated Building Reserve Fund	(239,313)	(236,809)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 7,989,544	\$ 6,969,438

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

**NOTE 4 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

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

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

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

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

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's 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>					
Assets					
Investments:					
Mutual Funds	\$ 2,576,112	\$ -	\$ -	\$ -	\$ 2,576,112
Exchange-Traded Funds	1,395,485	-	-	-	1,395,485
Cash	-	-	-	79,050	79,050
Total Investments	<u>3,971,597</u>	<u>-</u>	<u>-</u>	<u>79,050</u>	<u>4,050,647</u>
Beneficial Interest Held					
by Others	-	-	313,500	-	313,500
Split-Interest Agreements	-	-	54,011	-	54,011
Total Assets	<u>\$ 3,971,597</u>	<u>\$ -</u>	<u>\$ 367,511</u>	<u>\$ 79,050</u>	<u>\$ 4,418,158</u>
<u>August 31, 2021</u>					
Assets					
Investments:					
Mutual Funds	\$ 3,779,726	\$ -	\$ -	\$ -	\$ 3,779,726
Exchange-Traded Funds	778,035	-	-	-	778,035
Cash	-	-	-	47,909	47,909
Total Investments	<u>4,557,761</u>	<u>-</u>	<u>-</u>	<u>47,909</u>	<u>4,605,670</u>
Beneficial Interest Held					
by Others	-	-	370,915	-	370,915
Split-Interest Agreements	-	-	72,801	-	72,801
Total Assets	<u>\$ 4,557,761</u>	<u>\$ -</u>	<u>\$ 443,716</u>	<u>\$ 47,909</u>	<u>\$ 5,049,386</u>

There were no purchases, sales, transfers in, or transfers out of Level 3 investments for the years ended August 31, 2022 and 2021.

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

The following table describes the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year.

Quantitative Information About Level 3 Fair Value Measurements			
Type of Assets	Fair Value at August 31, 2022	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Trusts Held by Others	\$ 313,500	Fair Market Value of Investments	Value of Underlying Assets
Split-Interest Agreements	54,011		
Total	\$ 367,511		
Type of Assets	Fair Value at August 31, 2021	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Trusts Held by Others	\$ 370,915	Fair Market Value of Investments	Value of Underlying Assets
Split-Interest Agreements	72,801		
Total	\$ 443,716		

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

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

	2022	2021
Total Amounts Due in:		
Within One Year	\$ 1,675,689	\$ 924,283
One to Five Years	-	507,000
Gross Contributions Receivable	1,675,689	1,431,283
Less: Discount to Present Value	-	(9,551)
Contributions Receivable, Net	\$ 1,675,689	\$ 1,421,732

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**NOTE 6 SPLIT INTEREST AGREEMENTS**

**Charitable Gift Annuity**

A donor has contributed assets to the National Organization in exchange for a promise by the National Organization to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the term of the agreement, no trust exists, as the assets received are held by and the liability is an obligation of the National Organization. The National Organization records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. Accordingly, revenue with donor restriction and related assets were recognized at fair value during the year ended 2019, when the Foundation received notice that the agreement conveyed unconditional rights to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statement of activities as a change in the value of the split-interest agreement.

The Foundation's beneficial interest under the split-interest agreement totaled \$54,011 at August 31, 2022 and \$72,801 at August 31, 2021.

**Beneficial Interest in Assets Held by Others**

The Foundation is a named income beneficiary in a perpetual trust, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, donor-restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statement of activities as a component of donor-restricted realized and unrealized gains and losses on investments. The Foundation had a beneficial interest in assets held by others in perpetual trust. During the years ended August 31, 2022 and 2021, respectively, the Foundation's beneficial interest in the trust was \$313,500 and \$370,915.

**NOTE 7 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 \$1,570,591 and \$1,233,859 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 \$584,455 and \$734,765 were paid from the Foundation to the National Organization during the years ended August 31, 2022 and 2021, respectively.

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**NOTE 7 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

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 \$5,450 and \$-0-, respectively, for the years ended August 31, 2022 and 2021, which is recorded in the accompanying statement of activities as Other Income.

Amounts due to and from related entities August 31:

	2022	2021
Due from National Organization	\$ 195,125	\$ 83,280
Due from Other Chapters	26,522	1,958
Total Due from Related Entities	\$ 221,647	\$ 85,238
Due to National Organization	\$ 33	\$ 1,922
Due to Other Chapters	113,538	25,874
Total Due to Related Entities	\$ 113,571	\$ 27,796

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

During the years ended August 31, 2022 and 2021, the Foundation received contributions, both cash and in-kind, from board members totaling \$234,181 and \$489,122, respectively. During the years ended August 31, 2022 and 2021, amounts due from board members totaled \$-0- and \$2,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

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

	2022	2021
Land	\$ 459,200	\$ 459,200
Buildings and Building Improvements	3,000,929	2,999,957
Computer Equipment and Software	233,071	227,267
Office Furniture and Equipment	241,883	238,367
Subtotal	3,935,083	3,924,791
Less: Accumulated Depreciation and Amortization	(1,488,736)	(1,321,230)
Property and Equipment, Net	\$ 2,446,347	\$ 2,603,561

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**NOTE 8 PROPERTY AND EQUIPMENT, NET (CONTINUED)**

Depreciation and amortization expense totaled \$187,820 and \$196,889, respectively, for the years ended August 31, 2022 and 2021.

**NOTE 9 LEASES**

The Foundation is obligated under a capital leases for equipment that expire at various dates through May 2027. As of August 31, 2022 and 2021, the cost of leased equipment under capital leases was \$8,535 and \$8,286, and accumulated depreciation was \$479 and \$7,319, respectively.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 2,004
2024	2,004
2025	2,004
2026	2,004
2027	1,503
Total Minimum Lease Payments	<u>9,519</u>
Less Amounts Representing Interest	<u>(1,227)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 8,292</u></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>
Building Reserves	<u>\$ 239,313</u>	<u>\$ 236,809</u>

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**NOTE 10 NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions**

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Staffing	\$ 122,737	\$ 326,380
Wish Granting	2,110,068	1,710,072
Total	2,232,805	2,036,452
Subject to Passage of Time:		
Split-Interests Agreements	54,011	72,801
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	227	58,409
Total	54,238	131,210
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Assets Held by Others	313,500	370,915
Total	313,500	370,915
Total Donor Restricted Net Assets	\$ 2,600,543	\$ 2,538,577

**NOTE 11 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of 1,000 hours of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 6% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2022 and 2021 were \$140,805 and \$139,998, respectively.

**NOTE 12 CONCENTRATIONS OF CREDIT RISK**

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

Contributions totaling \$1,000,000 and \$2,000,000 were received from a single donor, respectively, for the years ended August 31, 2022 and 2021, which represents 10% and 26% 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.

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**NOTE 13 LITIGATION AND CLAIMS**

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

**NOTE 14 COMMITMENTS**

The goal of the Foundation is to grant the wish of every eligible child. During the years ended August 31, 2022 and 2021, the Foundation granted 363 and 337 wishes, respectively. As of August 31, 2022 and 2021, respectively, there were approximately 570 and 525 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2022 was \$5,811 in cash and \$1,943 in in-kind for a total cost of \$7,754. The average cost of a wish for the year ended August 31, 2021 was \$5,197 in cash and \$973 in in-kind for a total cost of \$6,170.

**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 of wishes granted and the number of granted wishes averaged approximately . The number of wishes granted during the years ended August 31, 2022 and 2021 was 363 and 337, 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 a \$442,100 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 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 \$442,100 on March 5, 2021.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$502,387 loan. The loan was received on January 23, 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 \$502,387 on January 12, 2022.

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

**NOTE 17 EMPLOYEE RETENTION CREDIT**

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the years ended August 31, 2022 and 2021 the Foundation applied for Employee Retention Credit (ERC) grant funding from the Internal Revenue Service (IRS). The Foundation recognized \$387,934 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 April 7, 2023, the date at which the financial statements were available to be issued.



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