

**MAKE-A-WISH FOUNDATION® OF  
EASTERN NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Eastern North Carolina  
Raleigh, North Carolina

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

#### ***Opinion***

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Eastern North Carolina (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 Eastern North Carolina 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 Eastern North Carolina 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 Eastern North Carolina'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 Eastern North Carolina'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 Eastern North Carolina'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**

Lakeland, Florida  
March 1, 2023

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

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,079,453	\$ 674,068
Investments	441,171	435,912
Due from Related Entities	84,077	213,319
Prepaid Expenses	97,239	19,902
Contributions Receivable, Net	145,750	34,955
Other Assets	29,946	42,481
Property and Equipment, Net	8,300	9,614
Total Assets	\$ 1,885,936	\$ 1,430,251
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 152,118	\$ 38,696
Due to Related Entities	143,464	6,119
Deferred Rent	25,921	31,485
Capital Lease Obligations	324	4,064
Total Liabilities	321,827	80,364
<b>NET ASSETS</b>		
Without Donor Restrictions	1,411,868	1,158,441
With Donor Restrictions	152,241	191,446
Total Net Assets	1,564,109	1,349,887
Total Liabilities and Net Assets	\$ 1,885,936	\$ 1,430,251

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA**  
**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	\$ 1,774,486	\$ -	\$ 1,774,486
Contributions, Donated Goods and Services	598,718	145,750	744,468
Grants	115,013	-	115,013
Total Public Support	2,488,217	145,750	2,633,967
Internal Special Events, Cash	991,162	-	991,162
Internal Special Events, Donated Goods and Services	5,165	-	5,165
Less Costs of Direct Benefits to Donors	(199,536)	-	(199,536)
Total Internal Special Events	796,791	-	796,791
Investment Income, Net	691	-	691
Other Income	3,150	-	3,150
Net Assets Released from Restrictions	184,955	(184,955)	-
Total Revenues, Gains, and Other Support	3,473,804	(39,205)	3,434,599
<b>EXPENSES</b>			
Program Services:			
Wish Granting	2,227,336	-	2,227,336
Total Program Services	2,227,336	-	2,227,336
Support Services:			
Fundraising	541,977	-	541,977
Management and General	451,064	-	451,064
Total Support Services	993,041	-	993,041
Total Expenses	3,220,377	-	3,220,377
<b>CHANGE IN NET ASSETS</b>	253,427	(39,205)	214,222
Net Assets - Beginning of Year	1,158,441	191,446	1,349,887
<b>NET ASSETS - END OF YEAR</b>	\$ 1,411,868	\$ 152,241	\$ 1,564,109

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA**  
**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	\$ 1,546,769	\$ 4,991	\$ 1,551,760
Contributions, Donated Goods and Services	177,014	34,955	211,969
Grants	76,719	150,000	226,719
Total Public Support	1,800,502	189,946	1,990,448
Internal Special Events, Cash	105,304	-	105,304
Less Costs of Direct Benefits to Donors	(2,205)	-	(2,205)
Total Internal Special Events	103,099	-	103,099
Investment Income, Net	3,380	-	3,380
Forgiveness of Paycheck Protection Program Loan	341,569	-	341,569
Other Income	9,362	-	9,362
Net Assets Released from Restrictions	50,000	(50,000)	-
Total Revenues, Gains, and Other Support	2,307,912	139,946	2,447,858
<b>EXPENSES</b>			
Program Services:			
Wish Granting	1,279,099	-	1,279,099
Total Program Services	1,279,099	-	1,279,099
Support Services:			
Fundraising	406,435	-	406,435
Management and General	381,086	-	381,086
Total Support Services	787,521	-	787,521
Total Expenses	2,066,620	-	2,066,620
<b>CHANGE IN NET ASSETS</b>	241,292	139,946	381,238
Net Assets - Beginning of Year	917,149	51,500	968,649
<b>NET ASSETS - END OF YEAR</b>	\$ 1,158,441	\$ 191,446	\$ 1,349,887

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 1,553,852	\$ -	\$ -	\$ -	\$ -	\$ 1,553,852
Salaries, Taxes, and Benefits	476,552	371,161	299,046	670,207	-	1,146,759
Printing, Subscriptions, and Publications	77	6,597	3,675	10,272	-	10,349
Professional Fees	-	8,904	71,082	79,986	-	79,986
Rent and Utilities	42,525	33,120	26,590	59,710	-	102,235
Postage and Delivery	788	450	981	1,431	-	2,219
Travel	7,693	9,455	3,576	13,031	-	20,724
Meetings and Conferences	103	24,397	1,665	26,062	-	26,165
Office Supplies	2,974	1,548	793	2,341	-	5,315
Communications	3,685	2,785	2,155	4,940	-	8,625
Advertising and Media (Cash)	-	6,606	-	6,606	-	6,606
Repairs and Maintenance	182	142	114	256	-	438
Membership Dues	-	335	375	710	-	710
National Partnership Dues	132,862	23,989	27,680	51,669	-	184,531
Miscellaneous	3,140	50,227	11,518	61,745	-	64,885
Depreciation and Amortization	2,903	2,261	1,814	4,075	-	6,978
Special Event - Direct Donor Benefits	-	-	-	-	199,536	199,536
Total Expenses by Function	<u>2,227,336</u>	<u>541,977</u>	<u>451,064</u>	<u>993,041</u>	<u>199,536</u>	<u>3,419,913</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(199,536)	(199,536)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,227,336</u>	<u>\$ 541,977</u>	<u>\$ 451,064</u>	<u>\$ 993,041</u>	<u>\$ -</u>	<u>\$ 3,220,377</u>

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA**  
**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	\$ 662,977	\$ -	\$ -	\$ -	\$ -	\$ 662,977
Salaries, Taxes, and Benefits	393,710	307,816	246,069	553,885	-	947,595
Printing, Subscriptions, and Publications	189	8,282	3,727	12,009	-	12,198
Professional Fees	218	8,916	61,838	70,754	-	70,972
Rent and Utilities	42,564	33,151	26,615	59,766	-	102,330
Postage and Delivery	1,112	954	900	1,854	-	2,966
Travel	1,544	2,667	810	3,477	-	5,021
Meetings and Conferences	-	2,177	200	2,377	-	2,377
Office Supplies	841	586	203	789	-	1,630
Communications	4,428	3,298	2,646	5,944	-	10,372
Advertising and Media (Cash)	-	2,113	-	2,113	-	2,113
Repairs and Maintenance	87	68	74	142	-	229
Grants and Scholarships	-	97	-	97	-	97
National Partnership Dues	160,996	22,999	25,090	48,089	-	209,085
Miscellaneous	7,760	11,211	11,261	22,472	-	30,232
Depreciation and Amortization	2,673	2,100	1,653	3,753	-	6,426
Special Event - Direct Donor Benefits	-	-	-	-	2,205	2,205
Total Expenses by Function	<u>1,279,099</u>	<u>406,435</u>	<u>381,086</u>	<u>787,521</u>	<u>2,205</u>	<u>2,068,825</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,205)</u>	<u>(2,205)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,279,099</u>	<u>\$ 406,435</u>	<u>\$ 381,086</u>	<u>\$ 787,521</u>	<u>\$ -</u>	<u>\$ 2,066,620</u>

See accompanying Notes to Financial Statements.

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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 214,222	\$ 381,238
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	6,978	6,426
Forgiveness of Paycheck Protection Program Loan	-	(341,569)
Net Realized and Unrealized (Gains) Losses on Investments	634	(3,006)
(Increase) Decrease in Assets:		
Contributions Receivable	(110,795)	(34,955)
Due from Related Entities	129,242	(41,731)
Prepaid Expenses	(77,337)	33,494
Other Assets	12,535	(26,304)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	113,422	22,127
Due to Related Entities	137,345	(8,924)
Deferred Rent	(5,564)	(2,425)
Net Cash Provided (Used) by Operating Activities	420,682	(15,629)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(10,429)	(11,145)
Proceeds from Sales of Investments	4,536	5,338
Purchases of Property and Equipment	(5,664)	-
Net Cash Used by Investing Activities	(11,557)	(5,807)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	(3,740)	(3,488)
Proceeds from Paycheck Protection Program Loan	-	170,969
Net Cash Provided (Used) by Financing Activities	(3,740)	167,481
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	405,385	146,045
Cash and Cash Equivalents - Beginning of Year	674,068	528,023
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,079,453	\$ 674,068
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest Expense	\$ 166	\$ 1,616

See accompanying Notes to Financial Statements.

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

**NOTE 1 ORGANIZATION**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Cash 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 EASTERN NORTH CAROLINA**  
**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 five 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).

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

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

**Fair Value Measurements (Continued)**

*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.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. 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 \$199,500 and \$2,200 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.

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

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

**Revenue Recognition (Continued)**

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

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

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	\$ 740,013	\$ -	\$ -	\$ 740,013
Professional Services	-	-	1,975	1,975
Other	1,049	2,590	-	3,639
Total	<u>\$ 741,062</u>	<u>\$ 2,590</u>	<u>\$ 1,975</u>	745,627
Internal Special Events				4,775
Other Assets, Net Change				(769)
Total				<u>\$ 749,633</u>
<u>August 31, 2021</u>				
Wish Related	\$ 166,577	\$ -	\$ -	\$ 166,577
Other	2,610	2,002	1,607	6,219
Total	<u>\$ 169,187</u>	<u>\$ 2,002</u>	<u>\$ 1,607</u>	172,796
Contributions Receivable, Net Change				34,955
Other Assets, Net Change				4,218
Total				<u>\$ 211,969</u>

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

**MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA**  
**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 \$211,040 and \$-0-, respectively.

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

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and North Carolina income or franchise taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Chapter 55A of the General Statutes of North Carolina. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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

**Functional Expenses**

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

**Wish Granting**

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

**Fundraising**

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

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

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

**Functional Expenses (Continued)**

**Management and General**

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

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

**Deferred Rent**

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$25,921 and \$31,485, respectively at August 31, 2022 and 2021.

**Management Estimates**

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

**Adoption of Accounting Pronouncement**

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

**Accounting Pronouncement Not Yet Effective**

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



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**NOTE 3 LIQUIDITY AND AVAILABILITY**

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

	<u>2022</u>	<u>2021</u>
Total Financial Assets	\$ 1,750,451	\$ 1,358,254
Donor-Imposed Restrictions:		
Restricted Funds	<u>(152,241)</u>	<u>(191,446)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,598,210</u>	<u>\$ 1,166,808</u>

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.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

**NOTE 4 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

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

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

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

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

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board of directors, 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>					
<b>Assets</b>					
Investments:					
Mutual Funds	\$ 426,623	\$ -	\$ -	\$ -	\$ 426,623
Cash	14,548	-	-	-	14,548
Total Assets	<u>\$ 441,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,171</u>
	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2021</u>					
<b>Assets</b>					
Investments:					
Mutual Funds	\$ 425,936	\$ -	\$ -	\$ -	\$ 425,936
Cash	9,976	-	-	-	9,976
Total Assets	<u>\$ 435,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,912</u>

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

The Foundation's contributions receivable as of August 31, 2022 and 2021 were \$145,750 and \$34,955 respectively, which is due from 1 donors for both years. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2022 and 2021.

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**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2022 and 2021, respectively, the Foundation received \$690,005 and \$648,856 from these national revenue streams.

As part of the National Organization’s Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation received \$21,193 and \$150,000 during the years ended August 31, 2022 and 2021, respectively.

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 \$271,492 and \$285,553 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 \$3,150 and \$1,550, respectively, for the years ended August 31, 2022 and 2021, which is recorded in the accompanying statements of activities as other income.

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

	<u>2022</u>	<u>2021</u>
Due from National Organization	\$ 70,004	\$ 212,114
Due from Other Chapters	14,073	1,205
Total Due from Related Entities	<u>\$ 84,077</u>	<u>\$ 213,319</u>
Due to National Organization	\$ 54,616	\$ 55
Due to Other Chapters	88,848	6,064
Total Due to Related Entities	<u>\$ 143,464</u>	<u>\$ 6,119</u>

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

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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 \$115,893 and \$47,150, respectively. There were no amounts due from board members as of August 31, 2022 and 2021. Amounts paid to related parties for goods and services used in the Foundation's operations totaled \$103,524 and \$0 for the years ended August 31, 2022 and 2021, respectively. Amounts due to related parties as of August 31, 2022 and 2021 totaled \$1,200 and \$6,064, respectively, and are included in accounts payable in the accompanying statements of financial position.

**NOTE 7 PROPERTY AND EQUIPMENT, NET**

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

	<u>2022</u>	<u>2021</u>
Computer Equipment and Software	\$ 65,560	\$ 59,897
Office Furniture and Equipment	44,864	44,864
Leasehold Improvements	<u>8,762</u>	<u>8,762</u>
Total	119,186	113,523
Less: Accumulated Depreciation and Amortization	<u>(110,886)</u>	<u>(103,909)</u>
Property and Equipment, Net	<u>\$ 8,300</u>	<u>\$ 9,614</u>

Depreciation and amortization expense totaled \$6,978 and \$6,426, respectively for the years ended August 31, 2022 and 2021.

**NOTE 8 NOTES PAYABLE**

On July 9, 2021, the Foundation entered into a line of credit with a financial institution totaling \$350,000 secured by investments, bearing interest at the greater of a floating rate equal to the Index plus 0.5% or the Floor Rate of 5.0% and expiring on July 5, 2022. There were no amounts outstanding on this line of credit as of August 31, 2022 and 2021.

**NOTE 9 LEASES**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through December 31, 2024. As of August 31, 2022 and 2021, the cost of leased property and equipment under capital leases was \$16,440 and accumulated depreciation was \$16,167 and \$12,878, respectively. Total rent expense for all operating leases for the years ended August 31, 2022 and 2021 totaled \$102,223 and \$102,330, respectively.

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**NOTE 9 LEASES (CONTINUED)**

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2023	\$ 111,020	\$ 326
2024	114,351	-
2025	39,069	-
2026	-	-
Total Minimum Lease Payments	264,440	326
Less Amounts Representing Interest	-	(2)
Present Value of Net Minimum Lease Payments	<u>\$ 264,440</u>	<u>\$ 324</u>

**NOTE 10 NET ASSETS**

**Net Assets With Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Wish Granting	<u>\$ 152,241</u>	<u>\$ 191,446</u>
Total Donor-Restricted Net Assets	<u>\$ 152,241</u>	<u>\$ 191,446</u>

**NOTE 11 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of three months of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2022 and 2021 were \$21,149 and \$18,372, 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 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 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 ending August 31, 2022 and 2021, the Foundation granted 170 and 100 wishes, respectively. As of August 31, 2022 and 2021, respectively, there were approximately 497 and 481 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2022 was \$6,167 in cash and \$2,664 in in-kind for a total cost of \$8,831. The average cost of a wish for the year ended August 31, 2021 was \$4,599 in cash and \$1,520 in in-kind for a total cost of \$6,120.

**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 83% of wishes granted and the number of granted wishes averaged approximately 191. The number of wishes granted during the years ended August 31, 2022 and 2021 was 170 and 100, 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 \$170,600 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on May 1, 2020. The loan 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 \$170,600 on December 1, 2020.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$170,969 loan. The loan was received on February 16, 2021. The loan accrues interest at 1%, with the first ten 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 \$170,969 on July 1, 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 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through March 1, 2023, the date at which the financial statements were available to be issued.



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