

**MAKE-A-WISH FOUNDATION®
OF EAST TENNESSEE**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2023 AND 2022



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**MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
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YEARS ENDED AUGUST 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of East Tennessee
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation® of East Tennessee (a nonprofit organization), which comprise the statements of financial position as of August 31, 2023 and 2022, 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 East Tennessee as of August 31, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2023 the Foundation adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 East Tennessee 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 East Tennessee'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 East Tennessee'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 East Tennessee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Phoenix, Arizona
March 21, 2024

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 389,927	\$ 633,672
Investments	390,832	88,225
Beneficial Interest in Assets Held by Others	25,086	23,325
Due from Related Entities	61,098	77,059
Prepaid Expenses	41,416	33,561
Contributions Receivable, Net	130,216	74,606
Other Assets	1,934	3,211
Right-of-Use Assets - Operating	41,126	-
Right-of-Use Assets - Financing	634	-
Property and Equipment, Net	2,058	865
	\$ 1,084,327	\$ 934,524
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 77,048	\$ 33,323
Due to Related Entities	20,452	8,125
Deferred Rent	-	623
Lease Liability - Operating	41,583	-
Lease Liability - Financing	645	-
Total Liabilities	139,728	42,071
NET ASSETS		
Without Donor Restrictions	816,227	794,522
With Donor Restrictions	128,372	97,931
Total Net Assets	944,599	892,453
Total Liabilities and Net Assets	\$ 1,084,327	\$ 934,524

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 739,367	\$ -	\$ 739,367
Contributions, Donated Goods and Services	400,809	103,286	504,095
Grants	164,595	-	164,595
Total Public Support	1,304,771	103,286	1,408,057
Internal Special Events, Cash	265,546	-	265,546
Less: Costs of Direct Benefits to Donors	(23,127)	-	(23,127)
Total Special Events	242,419	-	242,419
Change in Beneficial Interest in Assets			
Held by Others	-	1,761	1,761
Investment Income, Net	11,115	-	11,115
Other Income	575	-	575
Net Assets Released from Restrictions	74,606	(74,606)	-
Total Revenues, Gains, and Other Support	1,633,486	30,441	1,663,927
EXPENSES			
Program Services:			
Wish Granting	1,262,533	-	1,262,533
Support Services:			
Fundraising	246,473	-	246,473
Management and General	102,775	-	102,775
Total Support Services	349,248	-	349,248
Total Expenses	1,611,781	-	1,611,781
CHANGE IN NET ASSETS	21,705	30,441	52,146
Net Assets - Beginning of Year	794,522	97,931	892,453
NET ASSETS - END OF YEAR	\$ 816,227	\$ 128,372	\$ 944,599

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 765,763	\$ -	\$ 765,763
Contributions, Donated Goods and Services	265,664	74,606	340,270
Grants	81,810	-	81,810
Total Public Support	1,113,237	74,606	1,187,843
Internal Special Events, Cash	125,066	-	125,066
Less: Costs of Direct Benefits to Donors	(22,173)	-	(22,173)
Total Internal Special Events	102,893	-	102,893
Change in Beneficial Interest in Assets			
Held by Others	-	(3,214)	(3,214)
Investment Income, Net	(13,202)	-	(13,202)
Other Income	1,500	-	1,500
Net Assets Released from Restrictions	169,643	(169,643)	-
Total Revenues, Gains, and Other Support	1,374,071	(98,251)	1,275,820
EXPENSES			
Program Services:			
Wish Granting	838,365	-	838,365
Support Services:			
Fundraising	160,000	-	160,000
Management and General	98,207	-	98,207
Total Support Services	258,207	-	258,207
Total Expenses	1,096,572	-	1,096,572
CHANGE IN NET ASSETS	277,499	(98,251)	179,248
Net Assets - Beginning of Year	517,023	196,182	713,205
NET ASSETS - END OF YEAR	\$ 794,522	\$ 97,931	\$ 892,453

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 898,954	\$ -	\$ -	\$ -	\$ -	\$ 898,954
Salaries, Taxes, and Benefits	156,308	145,410	38,280	183,690	-	339,998
Printing, Subscriptions, and Publications	56	4,108	-	4,108	-	4,164
Professional Fees	604	20,504	35,686	56,190	-	56,794
Rent and Utilities	11,258	8,960	2,757	11,717	-	22,975
Postage and Delivery	1,241	1,175	137	1,312	-	2,553
Travel	771	2,942	2,979	5,921	-	6,692
Meetings and Conferences	221	8,528	2,837	11,365	-	11,586
Office Supplies	7,990	2,047	509	2,556	-	10,546
Communications	1,463	1,324	358	1,682	-	3,145
Advertising and Media (Cash)	-	647	-	647	-	647
Advertising and Media (In-Kind)	-	33,093	-	33,093	-	33,093
Repairs and Maintenance	148	118	36	154	-	302
Membership Dues	186	148	1,096	1,244	-	1,430
Grants and Scholarships	120,000	-	-	-	-	120,000
National Partnership Dues	61,663	14,095	12,333	26,428	-	88,091
Miscellaneous	145	2,160	5,393	7,553	-	7,698
Depreciation and Amortization	1,525	1,214	374	1,588	-	3,113
Special Event - Direct Donor Benefits	-	-	-	-	23,127	23,127
Total Expenses by Function	<u>1,262,533</u>	<u>246,473</u>	<u>102,775</u>	<u>349,248</u>	<u>23,127</u>	<u>1,634,908</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,127)</u>	<u>(23,127)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,262,533</u>	<u>\$ 246,473</u>	<u>\$ 102,775</u>	<u>\$ 349,248</u>	<u>\$ -</u>	<u>\$ 1,611,781</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
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	\$ 599,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 599,238
Salaries, Taxes, and Benefits	169,476	91,015	53,354	144,369	-	-	313,845
Printing, Subscriptions, and Publications	199	6,244	44	6,288	-	-	6,487
Professional Fees	1,075	2,560	26,022	28,582	-	-	29,657
Rent and Utilities	12,727	6,834	4,006	10,840	-	-	23,567
Postage and Delivery	1,193	1,340	171	1,511	-	-	2,704
Travel	1,812	1,919	2,047	3,966	-	-	5,778
Meetings and Conferences	77	33,094	772	33,866	-	-	33,943
Office Supplies	8,638	2,036	346	2,382	-	-	11,020
Communications	2,419	1,030	604	1,634	-	-	4,053
Advertising and Media (Cash)	-	145	-	145	-	-	145
Repairs and Maintenance	1,560	838	491	1,329	-	-	2,889
Membership Dues	291	157	92	249	-	-	540
National Partnership Dues	39,425	7,118	8,214	15,332	-	-	54,757
Miscellaneous	192	5,647	2,031	7,678	-	-	7,870
Depreciation and Amortization	43	23	13	36	-	-	79
Special Event - Direct Donor Benefits	-	-	-	-	22,173	-	22,173
Total Expenses by Function	<u>838,365</u>	<u>160,000</u>	<u>98,207</u>	<u>258,207</u>	<u>22,173</u>	<u>22,173</u>	<u>1,118,745</u>
Less Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	-	(22,173)	-	(22,173)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 838,365</u>	<u>\$ 160,000</u>	<u>\$ 98,207</u>	<u>\$ 258,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,096,572</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 52,146	\$ 179,248
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	577	79
Amortization of Right-of-Use Asset, Finance Lease	2,536	-
Change in Beneficial Interest in Assets Held by Others	(1,761)	3,214
Net Realized and Unrealized Loss on Investments	1,080	17,108
Contributed Other Assets	1,277	6,371
Change in Operating Right-of-Use Assets and Lease Liabilities	457	-
(Increase) Decrease in Assets:		
Contributions Receivable	(55,610)	(57,128)
Due from Related Entities	15,961	92,330
Prepaid Expenses	(7,855)	(5,796)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	43,725	19,789
Due to Related Entities	12,327	7,588
Deferred Rent	(623)	(832)
Net Cash Provided by Operating Activities	64,237	261,971
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(314,846)	(21,149)
Proceeds from Sales of Investments	11,159	17,243
Purchases of Property and Equipment	(1,770)	(944)
Net Cash Used by Investing Activities	(305,457)	(4,850)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Finance Lease Obligations	(2,525)	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(243,745)	257,121
Cash and Cash Equivalents - Beginning of Year	633,672	376,551
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 389,927	\$ 633,672
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 63	\$ -
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 55,171	\$ -
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ 3,170	\$ -

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (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 EAST TENNESSEE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease terms. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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 (Fiscal Year 2022) 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 7 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.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

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

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

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

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

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.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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

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.

Special event revenue consists of registrations, sponsorships and other contributions. The exchange element of the special event revenue was approximately \$23,000 and \$22,000 for the years ended August 31, 2023 and 2022, 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.

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, 2023 and 2022 totaled \$44,165 and \$21,560, respectively.

Donated advertising and media is reported as contribution revenue and expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

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.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

Contributions: Donated Goods and Services

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

	2023	2022
Wish Related Travel, Goods, and Services	\$ 469,987	\$ 338,051
Professional Services	-	1,844
Advertising and Media	33,093	-
Other	1,015	375
Total Contributed Nonfinancial Assets and Services	\$ 504,095	\$ 340,270

Wish related travel, goods and other services are used in the wish granting program. The Foundation estimates the fair value of wish related travel, goods, and services on the basis of estimates of the current market rates for similar travel, goods and other services in the Foundation's market.

Professional services relate to donated recruitment services used for support services and are valued and reported at the estimated fair value based on current rates for similar services.

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

Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and state income taxes under Title 48, Chapter 101, paragraph 501 of the Tennessee Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2023 and 2022. The Foundation files income tax returns in the U.S. federal jurisdiction and applicable state jurisdictions.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Management and General

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

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

Deferred Rent (ASC 840)

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$623 at August 31, 2022.

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 February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement (Continued)

The Foundation adopted the requirements of the guidance effective September 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

Lease disclosures for the year ended August 31, 2022 are made under prior lease guidance in FASB ASC 840.

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.

	2023	2022
Total Financial Assets	\$ 972,073	\$ 873,562
Donor-Imposed Restrictions:		
Restricted Funds	(103,286)	(74,606)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 868,787	\$ 798,956

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.

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

The fair values of the financial instruments shown in the following table as of August 31, 2023 and 2022 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability.

Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's audit and finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Fair Value Hierarchy

The following tables present the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis at August 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets Not Held at Fair Value</u>	<u>Total</u>
<u>August 31, 2023</u>					
Investments:					
Mutual Funds	\$ 90,175	\$ -	\$ -	\$ -	\$ 90,175
Certificates of Deposit	-	-	-	300,000	300,000
Cash	-	-	-	657	657
Total Investments	<u>90,175</u>	<u>-</u>	<u>-</u>	<u>300,657</u>	<u>390,832</u>
Beneficial Interest in Assets					
Held by Others	-	-	25,086	-	25,086
Total Assets	<u>\$ 90,175</u>	<u>\$ -</u>	<u>\$ 25,086</u>	<u>\$ 300,657</u>	<u>\$ 415,918</u>

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2022</u>					
Investments:					
Mutual Funds	\$ 87,693	\$ -	\$ -	\$ -	\$ 87,693
Cash	-	-	-	532	532
Total Investments	<u>87,693</u>	<u>-</u>	<u>-</u>	<u>532</u>	<u>88,225</u>
Beneficial Interest in Assets					
Held by Others	-	-	23,325	-	23,325
Total Assets	<u>\$ 87,693</u>	<u>\$ -</u>	<u>\$ 23,325</u>	<u>\$ 532</u>	<u>\$ 111,550</u>

NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2023 and 2022 were \$130,216 and \$74,606, respectively. All contributions receivable are due within the next 12 months. Two donors and one donor make up 100% of contributions receivables as of August 31, 2023 and August 31, 2022, respectively. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2023 and 2022.

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, 2023 and 2022, respectively, the Foundation received \$366,814 and \$288,114 from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided to the Foundation. Amounts totaling \$250,091 and \$80,788 were paid from the Foundation to the National Organization during the years ended August 31, 2023 and 2022, respectively.

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NOTE 6 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 \$575 and \$1,500, respectively, for the years ended August 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Due from National Organization	\$ 60,419	\$ 77,059
Due from Other Chapters	679	-
Total Due from Related Entities	<u>\$ 61,098</u>	<u>\$ 77,059</u>
Due to National Organization	\$ 4,908	\$ 280
Due to Other Chapters	15,544	7,845
Total Due to Related Entities	<u>\$ 20,452</u>	<u>\$ 8,125</u>

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

During the years ended August 31, 2023 and 2022, the Foundation received contributions, both cash and in-kind, from board members totaling \$27,525 and \$31,894, respectively.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2023</u>	<u>2022</u>
Computer Equipment and Software	\$ 18,732	\$ 16,962
Less: Accumulated Depreciation and Amortization	(16,674)	(16,097)
Property and Equipment, Net	<u>\$ 2,058</u>	<u>\$ 865</u>

Depreciation expense totaled \$577 and \$79, respectively, for the years ended August 31, 2023 and 2022.

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
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NOTE 8 LEASES

Lease Agreements - ASC 842

The Foundation leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2026.

The following tables provides quantitative information concerning the Foundation's leases.

	<u>2023</u>
Lease Cost:	
Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 2,536
Interest on Lease Liabilities	63
Operating Lease Cost	<u>15,629</u>
Total Lease Cost	<u><u>\$ 18,228</u></u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Financing Leases	\$ 63
Operating Cash Flows from Operating Leases	15,795
Financing Cash Flows from Financing Leases	2,525
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	3,170
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	55,171
Weighted-Average Remaining Leases Term - Financing Leases	0.2 Years
Weighted Average Remaining Lease Term - Operating Leases	2.8 Years
Weighted-Average Discount Rate - Financing Leases	3.47%
Weighted-Average Discount Rate - Operating Leases	3.30%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023, is as follows:

<u>Year Ending August 31</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 15,795	\$ 647
2025	15,795	-
2026	<u>11,846</u>	<u>-</u>
Total Lease Payments	43,436	647
Less: Imputed Interest	<u>(1,853)</u>	<u>(2)</u>
Present Value of Lease Liabilities	<u><u>\$ 41,583</u></u>	<u><u>\$ 645</u></u>

MAKE-A-WISH FOUNDATION® OF EAST TENNESSEE
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NOTE 8 LEASES (CONTINUED)

Lease Agreements - ASC 840

The Foundation was obligated under an operating lease for office space, which expired in May 2023. Total rent expense for the operating lease for the year ended August 31, 2022 totaled \$19,164.

NOTE 9 NET ASSETS

Net Assets With Donor Restrictions

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

	2023	2022
Subject to Expenditure for Specified Purpose:		
Wish Granting	\$ 103,286	\$ 74,606
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Assets Held by Others:		
East Tennessee Community Foundation	25,086	23,325
Total Donor-Restricted Net Assets	\$ 128,372	\$ 97,931

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service (1,000 hours). 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. There were no Foundation contributions to the Plan for the years ended August 31, 2023 and 2022.

NOTE 11 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 \$368,604 and \$184,793 were received from a single donor, for the years ended August 31, 2023 and 2022, respectively, which represents 22% and 16% 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 12 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal years ended August 31, 2023 and 2022, the Foundation granted 107 and 74 wishes, respectively. As of August 31, 2023 and 2022, respectively, there were approximately 120 and 195 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2023 was \$4,542 in cash and \$3,976 in in-kind for a total cost of \$8,518. The average cost of a wish for the year ended August 31, 2022 was \$3,516 in cash and \$3,198 in in-kind for a total cost of \$6,714.

NOTE 13 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, 2023. Prior to fiscal year 2020, travel wishes have been approximately 75% of wishes granted and the number of granted wishes averaged approximately 74. The number of wishes granted during the years ended August 31, 2023 and 2022 was 107 and 74, respectively.

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

NOTE 14 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, 2023 and 2022 the Foundation applied for Employee Retention Credit (ERC) grant funding from the Internal Revenue Service. The Foundation recognized \$26,930 and \$24,478, respectively, of grant revenue related to performance requirements being met in compliance with the program during the years ended August 31, 2023 and 2022.

Eligibility and conditions for the ERC program may be audited by the Internal Revenue Service. 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.

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NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 21, 2024, the date at which the financial statements were available to be issued.



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