

MAKE-A-WISH FOUNDATION® OF ALABAMA
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Alabama
Vestavia Hills, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Alabama (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 Alabama 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 Alabama 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 Alabama'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 Alabama'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 Alabama's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Phoenix, Arizona
April 24, 2024

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

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 3,469,589	\$ 3,282,502
Due from Related Entities	63,055	93,477
Prepaid Expenses	151,725	116,512
Contributions Receivable, Net	347,745	312,634
Accounts Receivable	80,262	80,772
Other Assets	9,938	59,338
Right-of-Use Assets - Operating	239,135	-
Property and Equipment, Net	59,794	62,170
Total Assets	\$ 4,421,243	\$ 4,007,405
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 295,836	\$ 347,765
Due to Related Entities	52,581	33,925
Deferred Revenue	23,208	22,755
Deferred Rent	-	44,374
Lease Liability - Operating	274,439	-
Capital Lease Obligations	-	3,612
Paycheck Protection Program	11,011	49,951
Total Liabilities	657,075	502,382
NET ASSETS		
Without Donor Restrictions	3,531,837	3,188,793
With Donor Restrictions	232,331	316,230
Total Net Assets	3,764,168	3,505,023
Total Liabilities and Net Assets	\$ 4,421,243	\$ 4,007,405

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,219,368	\$ -	\$ 1,219,368
Contributions, Donated Goods and Services	1,629,761	232,331	1,862,092
Grants	280,672	-	280,672
Total Public Support	3,129,801	232,331	3,362,132
Internal Special Events, Cash	1,926,085	-	1,926,085
Internal Special Events, Donated Goods and Services	958	-	958
Less: Costs of Direct Benefits to Donors	(361,538)	-	(361,538)
Total Internal Special Events	1,565,505	-	1,565,505
Sale of Donated Goods	998,797	-	998,797
Less: Cost of Donated Goods Sold	(998,797)	-	(998,797)
Net Sale of Donated Goods	-	-	-
Forgiveness of Paycheck Protection Program Loan	24,059	-	24,059
Investment Income, Net	33,183	-	33,183
Other Income	1,750	-	1,750
Net Assets Released from Restrictions	316,230	(316,230)	-
Total Revenues, Gains, and Other Support	5,070,528	(83,899)	4,986,629
EXPENSES			
Program Services:			
Wish Granting	3,010,887	-	3,010,887
Support Services:			
Fundraising	1,004,876	-	1,004,876
Management and General	711,721	-	711,721
Total Support Services	1,716,597	-	1,716,597
Total Expenses	4,727,484	-	4,727,484
CHANGE IN NET ASSETS	343,044	(83,899)	259,145
Net Assets - Beginning of Year	3,188,793	316,230	3,505,023
NET ASSETS - END OF YEAR	\$ 3,531,837	\$ 232,331	\$ 3,764,168

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,429,748	\$ 11,209	\$ 1,440,957
Contributions, Donated Goods and Services	1,731,490	301,425	2,032,915
Grants	155,681	-	155,681
Total Public Support	3,316,919	312,634	3,629,553
Internal Special Events, Cash	1,764,744	-	1,764,744
Internal Special Events, Donated Goods and Services	1,876	-	1,876
Less: Costs of Direct Benefits to Donors	(271,524)	-	(271,524)
Total Special Events	1,495,096	-	1,495,096
Sale of Donated Goods	1,083,442	-	1,083,442
Less: Cost of Donated Goods Sold	(1,083,442)	-	(1,083,442)
Net Sale of Donated Goods	-	-	-
Forgiveness of Paycheck Protection Program Loan	273,998	-	273,998
Other Income	4,433	-	4,433
Net Assets Released from Restrictions	2,125	(2,125)	-
Total Revenues, Gains, and Other Support	5,092,571	310,509	5,403,080
EXPENSES			
Program Services:			
Wish Granting	2,496,133	-	2,496,133
Support Services:			
Fundraising	823,791	-	823,791
Management and General	531,598	-	531,598
Total Support Services	1,355,389	-	1,355,389
Total Expenses	3,851,522	-	3,851,522
CHANGE IN NET ASSETS	1,241,049	310,509	1,551,558
Net Assets - Beginning of Year	1,947,744	5,721	1,953,465
NET ASSETS - END OF YEAR	\$ 3,188,793	\$ 316,230	\$ 3,505,023

See accompanying Notes to Financial Statements.

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

	Program	Support Services			Direct Donor	Total
	Services					
	Wish		Management	Total Support	Benefits	
	Granting	Fundraising	and General	Services		
Direct Costs of Wishes	\$ 2,195,001	\$ -	\$ -	\$ -	\$ -	\$ 2,195,001
Salaries, Taxes, and Benefits	437,123	490,096	399,543	889,639	-	1,326,762
Printing, Subscriptions, and Publications	9,315	31,734	17,277	49,011	-	58,326
Professional Fees	100	5,035	82,369	87,404	-	87,504
Rent and Utilities	31,466	35,281	28,667	63,948	-	95,414
Postage and Delivery	7,027	2,561	2,235	4,796	-	11,823
Travel	2,917	50,191	43,513	93,704	-	96,621
Meetings and Conferences	3,488	104,872	37,301	142,173	-	145,661
Office Supplies	26,725	4,801	7,288	12,089	-	38,814
Communications	6,949	9,626	7,274	16,900	-	23,849
Advertising and Media (Cash)	-	35,830	-	35,830	-	35,830
Repairs and Maintenance	1,145	1,285	1,042	2,327	-	3,472
Bad Debt Expense	-	8,627	-	8,627	-	8,627
Membership Dues	-	951	637	1,588	-	1,588
National Partnership Dues	275,820	63,045	55,164	118,209	-	394,029
Miscellaneous	6,884	153,176	23,115	176,291	-	183,175
Depreciation and Amortization	6,927	7,765	6,296	14,061	-	20,988
Special Event - Direct Donor Benefits	-	-	-	-	361,538	361,538
Total	<u>3,010,887</u>	<u>1,004,876</u>	<u>711,721</u>	<u>1,716,597</u>	<u>361,538</u>	<u>5,089,022</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(361,538)</u>	<u>(361,538)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,010,887</u>	<u>\$ 1,004,876</u>	<u>\$ 711,721</u>	<u>\$ 1,716,597</u>	<u>\$ -</u>	<u>\$ 4,727,484</u>

See accompanying Notes to Financial Statements.

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

	Program	Support Services			Direct Donor	Total
	Services	Fundraising	Management and General	Total Support Services		
Wish Granting						
Direct Costs of Wishes	\$ 1,786,231	\$ -	\$ -	\$ -	\$ -	\$ 1,786,231
Salaries, Taxes, and Benefits	438,862	443,619	310,705	754,324	-	1,193,186
Printing, Subscriptions, and Publications	5,549	24,526	10,793	35,319	-	40,868
Professional Fees	203	4,952	70,439	75,391	-	75,594
Rent and Utilities	34,501	35,978	26,046	62,024	-	96,525
Postage and Delivery	3,141	2,922	1,745	4,667	-	7,808
Travel	771	41,397	13,972	55,369	-	56,140
Meetings and Conferences	722	68,345	20,354	88,699	-	89,421
Office Supplies	18,698	3,543	6,186	9,729	-	28,427
Communications	6,993	7,163	5,137	12,300	-	19,293
Advertising and Media (Cash)	1,500	40,065	-	40,065	-	41,565
Repairs and Maintenance	912	922	638	1,560	-	2,472
Bad Debt Expense	-	1,025	-	1,025	-	1,025
Membership Dues	83	618	1,023	1,641	-	1,724
National Partnership Dues	187,025	33,768	38,964	72,732	-	259,757
Miscellaneous	5,600	109,549	21,861	131,410	-	137,010
Depreciation and Amortization	5,342	5,399	3,735	9,134	-	14,476
Special Event - Direct Donor Benefits	-	-	-	-	271,524	271,524
Total	<u>2,496,133</u>	<u>823,791</u>	<u>531,598</u>	<u>1,355,389</u>	<u>271,524</u>	<u>4,123,046</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(271,524)</u>	<u>(271,524)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,496,133</u>	<u>\$ 823,791</u>	<u>\$ 531,598</u>	<u>\$ 1,355,389</u>	<u>\$ -</u>	<u>\$ 3,851,522</u>

See accompanying Notes to Financial Statements.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 259,145	\$ 1,551,558
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	20,988	14,476
Forgiveness of Paycheck Protection Program Loan	(24,059)	(273,998)
Bad Debt Expense	8,627	1,025
Loss on Disposal of Property and Equipment	-	217
Contributed Goods for Sale	(998,797)	(1,083,442)
Contributed Property and Equipment and Other Assets	-	19,749
Change in Operating Right-of-Use Assets and Lease Liabilities	(9,070)	-
(Increase) Decrease in Assets:		
Contributions Receivable	(43,738)	(311,534)
Accounts Receivable	510	1,347
Due from Related Entities	30,422	(61,764)
Prepaid Expenses	(35,213)	(25,620)
Other Assets	1,048,197	1,083,442
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(51,929)	203,213
Due to Related Entities	18,656	30,017
Deferred Revenue	453	(37,145)
Deferred Rent	-	(1,041)
Net Cash Provided by Operating Activities	224,192	1,110,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(18,612)	(55,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	-	(4,084)
Principal Payments on Finance Lease Obligations	(3,612)	-
Principal Payments on Notes Payable	(14,881)	(13,190)
Net Cash Used by Financing Activities	(18,493)	(17,274)
NET INCREASE IN CASH AND CASH EQUIVALENTS	187,087	1,037,718
Cash and Cash Equivalents - Beginning of Year	3,282,502	2,244,784
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,469,589	\$ 3,282,502
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 790	\$ 5,143
Contributed Goods for Sale	\$ 998,797	\$ 1,083,442
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 320,728	\$ -
Contributed Property and Equipment and Other Assets	\$ -	\$ (19,749)

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Alabama (the Foundation) is an Alabama 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.

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.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management considers all accounts receivables to be collectable and as such, no allowance for doubtful accounts is recorded for the items. Management determine the allowance for doubtful accounts receivable based on historical experience and a review of subsequent collections.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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 right of use 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 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 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 5 years.

Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. 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 ALABAMA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

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.

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 \$361,500 and \$271,500 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.

Sales of donated goods are recognized at the time the donated goods are transferred to the customer, which occurs at a point in time.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 \$224,138 and \$252,363, respectively.

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.

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	\$ 864,454	\$ 969,222
Cost of Donated Goods Sold	998,797	1,083,442
Special Events	958	1,876
Other	(1,159)	(19,749)
Total Contributed Nonfinancial Assets and Services	\$ 1,863,050	\$ 2,034,791

Wish related travel, goods and 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. Thrift goods received by the Foundation are valued at the and reported at the fair value based on the selling price of the goods to a third party.

Special event donated items 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions: Donated Goods and Services (Continued)

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 taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and the Alabama Revenue and Taxation 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.

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 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 (ASC 840)

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. Unamortized deferred rent was \$44,374 at August 31, 2022.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

	<u>2023</u>	<u>2022</u>
Total Financial Assets	\$ 3,960,651	\$ 3,769,385
Donor Imposed Restrictions:		
Restricted Funds	<u>(232,331)</u>	<u>(316,230)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,728,320</u>	<u>\$ 3,453,155</u>

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NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets include cash and cash equivalents, due from related entities, contributions receivable, and accounts 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 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at 4.20% August 31, 2023. The following is a summary of the Foundation’s contributions receivable at August 31:

	<u>2023</u>	<u>2022</u>
Total Amounts Due in:		
Within One Year	\$ 344,209	\$ 312,634
One to Five Years	3,536	-
Gross Contribution Receivable	<u>347,745</u>	<u>312,634</u>
Less: Discount to Present Value	-	-
Contributions Receivable, Net	<u><u>\$ 347,745</u></u>	<u><u>\$ 312,634</u></u>

NOTE 5 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 \$390,537 and \$484,558 from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$488,300 and \$349,593 were paid from the Foundation to the National Organization during the years ended August 31, 2023 and 2022, 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 \$1,750 and \$4,650, respectively, for the years ended August 31, 2023 and 2022, which is recorded in the accompanying statements of activities as Other Income.

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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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

	2023	2022
Due from National Organization	\$ 56,312	\$ 55,578
Due from Other Chapters	6,743	37,899
Total Due from Related Entities	\$ 63,055	\$ 93,477
Due to National Organization	\$ 5,024	\$ 2,117
Due to Other Chapters	47,557	31,808
Total Due to Related Entities	\$ 52,581	\$ 33,925

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 \$183,357 and \$89,720, respectively. At August 31, 2023 and 2022, amounts due from board members totaled \$34,281 and \$0-, respectively, and are included in contributions receivable in the accompanying statements of financial position.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Computer Equipment and Software	\$ 64,132	\$ 49,976
Other Equipment	97,628	93,175
Leasehold Improvements	500	500
Total	162,260	143,651
Less: Accumulated Depreciation and Amortization	(102,466)	(81,481)
Property and Equipment, Net	\$ 59,794	\$ 62,170

Depreciation and amortization expense totaled \$20,988 and \$14,476, respectively for the years ended August 31, 2023 and 2022.

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NOTE 7 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 May 2026.

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

Lease Cost:

Operating Lease Cost	\$ 91,787
Total Lease Cost	<u>\$ 91,787</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Operating Leases	\$ 100,858
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 320,728
Weighted Average Remaining Lease Term - Operating Leases	2.7 years
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>
2024	\$ 102,856
2025	104,896
2026	<u>79,248</u>
Total Lease Payments	287,000
Less: Imputed Interest	<u>(12,561)</u>
Present Value of Lease Liabilities	<u>\$ 274,439</u>

Lease Agreements – ASC 840

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through May 31, 2026. As of August 31, 2022, the cost of leased property and equipment under capital leases was \$19,012 and accumulated depreciation was \$17,111. Total rent expense for all operating leases for the year ended August 31, 2022 totaled \$92,344.

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NOTE 8 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	\$ 232,331	\$ 305,021
Total	232,331	305,021
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	-	11,209
Total	-	11,209
Total Donor Restricted Net Assets	\$ 232,331	\$ 316,230

NOTE 9 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. After one year of service, the Foundation matches employee contributions based on a formula to be determined by the board of directors. Foundation contributions to the Plan for the years ended August 31, 2023 and 2022 were \$25,989 and \$21,808, respectively.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents. The Foundation places its cash 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.

The Foundation received payments of \$998,797 and \$1,083,442, respectively, for the years ended August 31, 2023 and 2022 from one source for the purchase of merchandise donations to the Foundation by the general public. This represented 100% of sale of donated merchandise. The Foundation also received contributions totaling \$584,250 from a single donor for the year ended August 31, 2023, which represents 11% of raised revenue which consists of total public support and gross internal special event revenue. There were no contribution concentrations for the year ended August 31, 2022. Should these levels of support decrease, the Foundation may be adversely affected.

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NOTE 10 CONCENTRATIONS OF CREDIT RISK (CONTINUED)

For the years ended August 31, 2023 and 2022, one donor represent 67% and 91% of the contributions receivable balance, respectively. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 11 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the years ending August 31, 2023 and 2022, the Foundation granted 164 and 118 wishes, respectively. As of August 31, 2023 and 2022, respectively, there were approximately 310 and 260 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2023 was \$8,034 in cash and \$5,777 in in-kind for a total cost of \$13,811. The average cost of a wish for the year ended August 31, 2022 was \$9,748 in cash and \$5,249 in in-kind for a total cost of \$14,997.

NOTE 12 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 85% of wishes granted and the number of granted wishes averaged approximately 139. The number of wishes granted during the years ended August 31, 2023 and 2022 was 164 and 118, respectively.

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

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NOTE 13 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved a \$177,097 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 6, 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 \$113,957 on October 6, 2021 and of \$24,059 on July 6, 2023.

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	<u>\$ 11,011</u>

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$160,042 loan. The loan was received on February 25, 2021. The loan accrues interest at 1%, with the first 10 months of interest deferred, has a term of five years and is unsecured and guaranteed by the Small Business Administration. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation received forgiveness of \$160,042 on March 7, 2022.

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

NOTE 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 (IRS). The Foundation recognized \$171,399 and \$-0-, 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 IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Foundation's financial position.

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NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statements of financial position date through April 24, 2024, the date at which the financial statements were available to be issued.

Subsequent to year-end the Foundation signed contracts for various hotel and venues with cancellation clauses totaling approximately \$108,000.



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