

**MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND
EMPIRE, INC.**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2023 AND 2022



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MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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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® Orange County & The Inland Empire, Inc.
Irvine, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation® Orange County & The Inland Empire, Inc. (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® Orange County & The Inland Empire, Inc. 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 Make-A-Wish Foundation® Orange County & The Inland Empire, Inc. 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® Orange County & The Inland Empire, Inc. 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® Orange County & The Inland Empire, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Emphasis of Matter

As discussed in Note 21 to the financial statements, net assets were understated in the prior period and a prior period adjustment has been posted to restate beginning net assets. Our opinion is not modified with respect to that matter.

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® Orange County & The Inland Empire, Inc.'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® Orange County & The Inland Empire, Inc.'s ability to continue as a going concern for a reasonable period of time.

Board of Directors
Make-A-Wish Foundation® Orange County & The Inland Empire, Inc.

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

CliftonLarsonAllen LLP

Lakeland, Florida
February 20, 2024

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	Restated 2022
ASSETS		
Cash and Cash Equivalents	\$ 387,989	\$ 578,824
Investments	1,297,927	1,475,088
Due from Related Entities	309,859	157,553
Prepaid Expenses	142,617	143,884
Contributions Receivable, Net	283,710	470,800
Other Assets	92,526	172,688
Split-Interest Agreements	283,848	288,454
Investments Held for Long-Term Purposes	121,509	117,226
Right-of-Use Assets - Operating	1,017,700	-
Right-of-Use Assets - Finance	44,028	-
Property and Equipment, Net	30,481	88,854
Total Assets	\$ 4,012,194	\$ 3,493,371
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 375,429	\$ 346,763
Due to Related Entities	271,135	169,860
Other Liabilities	139,642	125,346
Deferred Rent	-	9,960
Lease Liability - Operating	1,051,696	-
Lease Liability - Financing	46,552	-
Capital Lease Obligation	-	64,431
Total Liabilities	1,884,454	716,360
NET ASSETS		
Without Donor Restrictions	1,752,067	2,200,805
With Donor Restrictions	375,673	576,206
Total Net Assets	2,127,740	2,777,011
Total Liabilities and Net Assets	\$ 4,012,194	\$ 3,493,371

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,996,808	\$ (403)	\$ 1,996,405
Contributions, Donated Goods and Services	1,004,900	28,088	1,032,988
Grants	669,129	-	669,129
Total Public Support	3,670,837	27,685	3,698,522
Internal Special Events	1,477,714	-	1,477,714
Internal Special Events, Donated Goods and Services	33,459	-	33,459
Less Costs of Direct Benefits to Donors	(385,639)	-	(385,639)
Total Internal Special Events	1,125,534	-	1,125,534
Investment Income (Loss), Net	111,540	3,812	115,352
Other Income	91,868	-	91,868
Net Assets Released from Restrictions	246,824	(246,824)	-
Total Revenues, Gains, and Other Support	5,246,603	(215,327)	5,031,276
EXPENSES			
Program Services:			
Wish Granting	3,781,920	-	3,781,920
Total Program Services	3,781,920	-	3,781,920
Support Services:			
Fundraising	940,733	-	940,733
Management and General	970,858	-	970,858
Total Support Services	1,911,591	-	1,911,591
Total Expenses	5,693,511	-	5,693,511
OTHER GAINS			
Change in Split-Interest Agreements	-	14,794	14,794
Losses on Sale of Equipment	(1,830)	-	(1,830)
Total Other Losses	(1,830)	14,794	12,964
CHANGE IN NET ASSETS	(448,738)	(200,533)	(649,271)
Net Assets - Beginning of Year, As Restated	2,200,805	576,206	2,777,011
NET ASSETS - END OF YEAR	\$ 1,752,067	\$ 375,673	\$ 2,127,740

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

	Restated Without Donor Restrictions	With Donor Restrictions	Restated Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 2,268,701	\$ 107,793	\$ 2,376,494
Contributions, Donated Goods and Services	756,432	156,882	913,314
Grants	390,765	37,241	428,006
Total Public Support	3,415,898	301,916	3,717,814
Internal Special Events	1,526,892	-	1,526,892
Less Costs of Direct Benefits to Donors	(569,236)	-	(569,236)
Total Internal Special Events	957,656	-	957,656
Investment Income (Loss), Net	(270,296)	(5,465)	(275,761)
Forgiveness of Paycheck Protection Program Loan	250,977	-	250,977
Other Income	12,550	-	12,550
Net Assets Released from Restrictions	267,359	(267,359)	-
	4,634,144	29,092	4,663,236
EXPENSES			
Program Services:			
Wish Granting	3,115,223	-	3,115,223
Total Program Services	3,115,223	-	3,115,223
Support Services:			
Fundraising	722,151	-	722,151
Management and General	663,892	-	663,892
Total Support Services	1,386,043	-	1,386,043
Total Expenses	4,501,266	-	4,501,266
OTHER GAINS			
Change in Split Interest Agreements	-	(21,851)	(21,851)
Gains on Sale of Equipment	(884)	-	(884)
Total Other Gains	(884)	(21,851)	(22,735)
CHANGE IN NET ASSETS	131,994	7,241	139,235
Net Assets - Beginning of Year	2,068,811	568,965	2,637,776
NET ASSETS - END OF YEAR	\$ 2,200,805	\$ 576,206	\$ 2,777,011

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Program Services		Support Services			Direct Donor Benefits	Total
	Wish Granting	Total Program Services	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 2,494,043	\$ 2,494,043	\$ -	\$ -	\$ -	\$ -	\$ 2,494,043
Salaries, Taxes, and Benefits	711,217	711,217	550,523	554,566	1,105,089	-	1,816,306
Printing, Subscriptions, and Publications	17,472	17,472	20,020	13,616	33,636	-	51,108
Professional Fees	23,116	23,116	17,859	160,177	178,036	-	201,152
Rent and Utilities	171,927	171,927	132,892	133,770	266,662	-	438,589
Postage and Delivery	3,112	3,112	3,484	2,407	5,891	-	9,003
Travel	4,515	4,515	4,495	6,937	11,432	-	15,947
Meetings and Conferences	10,597	10,597	31,570	12,067	43,637	-	54,234
Office Supplies	20,948	20,948	1,833	1,605	3,438	-	24,386
Communications	10,038	10,038	7,594	7,886	15,480	-	25,518
Advertising and Media (Cash)	61	61	155	-	155	-	216
Advertising and Media (In-Kind)	-	-	50,750	-	50,750	-	50,750
Repairs and Maintenance	2,810	2,810	2,093	2,065	4,158	-	6,968
Bad Debt Expense	-	-	100	-	100	-	100
Membership Dues	-	-	367	50	417	-	417
National Partnership Dues	259,483	259,483	59,310	51,897	111,207	-	370,690
Miscellaneous	38,899	38,899	47,113	13,170	60,283	-	99,182
Depreciation and Amortization	13,682	13,682	10,575	10,645	21,220	-	34,902
Special Event - Direct Donor Benefits	-	-	-	-	-	385,639	385,639
Total Expenses by Function	<u>3,781,920</u>	<u>3,781,920</u>	<u>940,733</u>	<u>970,858</u>	<u>1,911,591</u>	<u>385,639</u>	<u>6,079,150</u>
Less Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(385,639)</u>	<u>(385,639)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,781,920</u>	<u>\$ 3,781,920</u>	<u>\$ 940,733</u>	<u>\$ 970,858</u>	<u>\$ 1,911,591</u>	<u>\$ -</u>	<u>\$ 5,693,511</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	Program Services		Support Services			Direct Donor Benefits	Total
	Wish Granting	Total Program Services	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 1,866,188	\$ 1,866,188	\$ -	\$ -	\$ -	\$ -	\$ 1,866,188
Salaries, Taxes, and Benefits	743,076	743,076	422,950	349,669	772,619	-	1,515,695
Printing, Subscriptions, and Publications	7,043	7,043	15,191	3,306	18,497	-	25,540
Professional Fees	40,526	40,526	44,363	140,856	185,219	-	225,745
Rent and Utilities	177,500	177,500	101,429	83,316	184,745.00	-	362,245
Postage and Delivery	3,409	3,409	2,510	714	3,224	-	6,633
Travel	1,424	1,424	1,725	2,547	4,272	-	5,696
Meetings and Conferences	3,266	3,266	5,233	2,820	8,053	-	11,319
Office Supplies	9,323	9,323	1,544	1,287	2,831	-	12,154
Communications	15,043	15,043	8,118	6,705	14,823	-	29,866
Advertising and Media (Cash)	-	-	7,756	-	7,756	-	7,756
Advertising and Media (In-Kind)	-	-	5,400	-	5,400	-	5,400
Repairs and Maintenance	3,846	3,846	2,198	1,805	4,003	-	7,849
Membership Dues	328	328	187	154	341	-	669
National Partnership Dues	200,049	200,049	36,120	41,677	77,797	-	277,846
Miscellaneous	25,061	25,061	56,490	20,052	76,542	-	101,603
Depreciation and Amortization	19,141	19,141	10,937	8,984	19,921	-	39,062
Special Event - Direct Donor Benefits	-	-	-	-	-	569,236	569,236
Total Expenses by Function	<u>3,115,223</u>	<u>3,115,223</u>	<u>722,151</u>	<u>663,892</u>	<u>1,386,043</u>	<u>569,236</u>	<u>5,070,502</u>
Less Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(569,236)</u>	<u>(569,236)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,115,223</u>	<u>\$ 3,115,223</u>	<u>\$ 722,151</u>	<u>\$ 663,892</u>	<u>\$ 1,386,043</u>	<u>\$ -</u>	<u>\$ 4,501,266</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (649,271)	\$ 139,235
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	16,662	39,062
Amortization of Right-of-Use Asset, Finance Lease	18,240	-
Forgiveness of Paycheck Protection Program Loan	-	(250,977)
Bad Debt Expense and Other	100	-
Net Realized and Unrealized (Gains) Losses on Investments	(88,420)	302,975
(Gain) Loss on Sale of Property and Equipment	1,830	884
Contributed Inventory and Investments	(75,684)	70,384
Change in Value of Split-Interest Agreements	(14,794)	21,851
Change in Discount to Present Value of Contributions Receivable	(1,804)	2,207
Change in Operating Right-of-Use Assets and Lease Liabilities	33,996	-
(Increase) Decrease in Assets:		
Contributions Receivable	188,794	(355,548)
Due from Related Entities	(152,306)	88,953
Prepaid Expenses	1,267	(24,849)
Other Assets	140,210	(22,694)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	28,666	121,853
Due to Related Entities	101,275	68,710
Other Liabilities	14,296	(100,183)
Deferred Rent	(9,960)	(43,653)
Net Cash Provided (Used) by Operating Activities	(446,903)	58,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(525,674)	(1,368,245)
Proceeds from Sales of Investments	802,608	1,264,384
Purchases of Property and Equipment	(22,387)	(16,306)
Proceeds from Annuity	19,400	14,549
Net Cash Provided (Used) by Investing Activities	273,947	(105,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	-	(15,721)
Principal Payments on Finance Lease Obligations	(17,879)	-
Proceeds from Line of Credit	140,000	-
Principal Payments on Line of Credit	(140,000)	-
Net Cash Provided (Used) by Financing Activities	(17,879)	(15,721)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(190,835)	(63,129)
Cash and Cash Equivalents - Beginning of Year	578,824	641,953
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 387,989	\$ 578,824

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	Restated 2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest Expense	\$ 16,257	\$ 5,622
Contributed Inventory and Investments	\$ (75,684)	\$ 70,384
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,211,598	\$ -

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® Orange County & The Inland Empire, Inc. (the Foundation) is a California 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.

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 right-of-use (ROU) assets – financing and lease liability – financing in the statements of financial position.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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 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 15 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® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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.

The Foundation utilizes the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

Net Assets

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

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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 \$385,639 and \$569,236 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 \$184,514 and \$80,542, respectively.

Donated advertising and media is reported as contribution revenue and fundraising 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.

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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.

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	\$ 1,025,714	\$ 785,615
Contributed Office Space	2,720	-
Advertising and Media	50,750	5,400
Special Events	(41,476)	126,404
Other	28,739	6,055
Total Contributed Nonfinancial Assets and Services	<u>\$ 1,066,447</u>	<u>\$ 923,474</u>

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.

Contributed office space is valued and reported at the estimated fair value on the basis of comparable lease agreements in the Foundation's market. Contributed office space is used for both program and supporting services.

Donated advertising and media is reported at the estimated fair value as provided by the donor based on rates charged for similar advertising or media. Advertising and media is used for both program and supporting services. Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions: Donated Goods and Services (Continued)

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.

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 California income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701d of the California 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 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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent \$9,960 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.

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.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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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.

	2023	2022
Total Financial Assets	\$ 2,400,994	\$ 2,799,491
Donor-Imposed Restrictions:		
Restricted Funds	(267,904)	(472,246)
Endowments	(107,769)	(103,960)
Net Financial Assets after Donor-Imposed Restrictions	2,025,321	2,223,285
Internal Designations:		
Board-Designated Endowments	(13,737)	(13,266)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,011,584	\$ 2,210,019

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

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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

Fair Value Hierarchy

The following table presents the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis, at August 31:

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2023</u>					
Assets					
Investments:					
Mutual Funds	\$ 215,084	\$ -	\$ -	\$ -	\$ 215,084
Equity Securities	567,315	-	-	-	567,315
Debt Securities	-	597,186	-	-	597,186
Cash	-	-	-	39,851	39,851
Total Investments	<u>782,399</u>	<u>597,186</u>	<u>-</u>	<u>39,851</u>	<u>1,419,436</u>
Split-Interest Agreements	-	-	283,848	-	283,848
Total Assets	<u>\$ 782,399</u>	<u>\$ 597,186</u>	<u>\$ 283,848</u>	<u>\$ 39,851</u>	<u>\$ 1,703,284</u>
Liabilities					
Obligations Under Split-Interest Agreements	\$ -	\$ -	\$ 103,629	\$ -	\$ 103,629
<u>August 31, 2022</u>					
Assets					
Investments:					
Mutual Funds	\$ 234,215	\$ -	\$ -	\$ -	\$ 234,215
Exchange-Traded Funds	129,978	-	-	-	129,978
Equity Securities	675,069	-	-	-	675,069
Debt Securities	-	495,442	-	-	495,442
Cash	-	-	-	57,610	57,610
Total Investments	<u>1,039,262</u>	<u>495,442</u>	<u>-</u>	<u>57,610</u>	<u>1,592,314</u>
Split-Interest Agreements	-	-	288,454	-	288,454
Total Assets	<u>\$ 1,039,262</u>	<u>\$ 495,442</u>	<u>\$ 288,454</u>	<u>\$ 57,610</u>	<u>\$ 1,880,768</u>
Liabilities					
Obligations Under Split-Interest Agreements	\$ -	\$ -	\$ 123,029	\$ -	\$ 123,029

For the valuation of debt securities at August 31, 2023 and 2022, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of 4.20% at August 31, 2023, and 3.27% at August 31, 2022. The following is a summary of the Foundation's contributions receivable at August 31:

CONTRIBUTIONS RECEIVABLE	2023	Restated 2022
Total Amounts Due in:		
Within One Year	\$ 274,113	\$ 413,007
One to Five Years	10,000	60,000
Gross Contributions Receivable	284,113	473,007
Less: Discount to Present Value	(403)	(2,207)
Contributions Receivable, Net	\$ 283,710	\$ 470,800

NOTE 6 SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

Beginning in 2020, donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the Foundation. The Foundation records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using present value techniques. The discount rates used for the years ended August 31, 2023 and 2022 was 2.6% and 2.6%, respectively.

The charitable gift annuities account also includes assets from contributions and income totaling \$283,848 and \$288,454 at August 31, 2023 and 2022, respectively, for legally mandated reserves.

Liabilities to beneficiaries under charitable gift annuities totaled \$103,629 and \$123,029 at August 31, 2023 and 2022, respectively, and are included in Other Liabilities in the accompanying statements of financial position.

NOTE 7 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the years ended August 31:

	2023	2022
Corporate, Online, Whitemail, and General Contributions	\$ 571,110	\$ 644,527
Direct Mail	194,600	234,524
Grants	29,154	18,997
Other	4,000	42,955
Total Distributions Received	\$ 798,864	\$ 941,003

These amounts are recorded in the statements of activities as public support revenue.

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 7 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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 \$33,154 and \$18,997 during the years ended August 31, 2023 and 2022, 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. Amount totaling \$469,245 and \$443,186 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 \$91,850 and \$12,550, 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:

	2023	2022
Due from National Organization	\$ 114,524	\$ 86,605
Due from Other Chapters	195,335	70,948
Total Due from Related Entities	\$ 309,859	\$ 157,553
Due to National Organization	\$ 204,269	\$ 72,622
Due to Other Chapters	66,866	97,238
Total Due to Related Entities	\$ 271,135	\$ 169,860

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 \$477,116 and \$599,165, respectively. Amounts paid to related parties for goods and services used in the Foundation’s operations totaled \$224,010 and \$427,018 for the years ended August 31, 2023 and 2022, respectively.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 8 PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Computer Equipment and Software	\$ 76,904	\$ 68,105
Office Furniture and Equipment	242,092	353,736
Leasehold Improvements	82,170	102,472
Total	401,166	524,313
Less Accumulated Depreciation and Amortization	(370,685)	(435,459)
Property and Equipment, Net	\$ 30,481	\$ 88,854

Depreciation and amortization expense totaled \$34,903 and \$39,062, respectively, for the years ended August 31, 2023 and 2022.

NOTE 9 NOTES PAYABLE

The Foundation has an unsecured line of credit with a financial institution totaling \$1,200,000, bearing interest at One-Month Libor Rate plus the Spread Rate (8.00% as of August 31, 2023) with no expiration date. There was no outstanding balance on this line of credit as of August 31, 2023 and 2022.

NOTE 10 LEASES

Lease Agreements - ASC 842

The Foundation leases office space as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2028.

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

Lease Cost:

Finance Lease Costs:

Amortization of Right-of-Use Assets	\$ 18,240
Interest on Lease Liabilities	2,384
Operating Lease Cost	285,353
Total Lease Costs	\$ 305,977

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 LEASES (CONTINUED)

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Financing Leases	\$ -
Operating Cash Flows from Operating Leases	\$ 195,004
Financing Cash Flows from Financing Leases	\$ 17,879
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	\$ -
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,211,598
Weighted-Average Remaining Leases Term - Financing Leases	2.3 Years
Weighted Average Remaining Lease Term - Operating Leases	4.1 Years
Weighted-Average Discount Rate - Financing Leases	4.35%
Weighted-Average Discount Rate - Operating Leases	3.34%

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	\$ 255,283	\$ 20,328
2025	266,424	20,328
2026	276,236	8,301
2027	287,312	-
2028	44,040	-
Thereafter	-	-
Total Lease Payments	<u>1,129,295</u>	<u>48,957</u>
Less: Imputed Interest	<u>(77,599)</u>	<u>(2,405)</u>
Present Value of Lease Liabilities	<u>\$ 1,051,696</u>	<u>\$ 46,552</u>

Operating Lease Agreements – ASC 840

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through July 30, 2027. As of August 31, 2022, the cost of leased property and equipment under capital leases was \$91,198 and accumulated depreciation was \$28,930. Total rent expense for all operating leases for the year ended August 31, 2022 totaled \$259,145.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 11 NET ASSETS

Net Assets Without Donor Restrictions

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

	2023	2022
Board-Designated Endowment Funds	\$ 13,737	\$ 13,266

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	\$ 28,088	\$ 161,687
Office Equipment	-	27,241
Total	28,088	188,928
Subject to Passage of Time:		
Assets Held under Split Interest Agreements	180,219	165,424
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	59,597	117,894
Total	239,816	283,318
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	25,269	21,460
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Endowment Fund	82,500	82,500
Total	107,769	103,960
Total Donor-Restricted Net Assets	\$ 375,673	\$ 576,206

NOTE 12 ENDOWMENTS

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

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the California UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor-restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulated earnings on the donor-restricted endowment funds. The accumulated earnings on the endowment funds remain treated as donor-restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

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

<u>August 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 107,769	\$ 107,769
Board-Designated Endowment Funds	13,737	-	13,737
Total Funds	<u>\$ 13,737</u>	<u>\$ 107,769</u>	<u>\$ 121,506</u>
<u>August 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 103,960	\$ 103,960
Board-Designated Endowment Funds	13,266	-	13,266
Total Funds	<u>\$ 13,266</u>	<u>\$ 103,960</u>	<u>\$ 117,226</u>

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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NOTE 12 ENDOWMENTS (CONTINUED)

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

<u>August 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds - Beginning of Year	\$ 13,266	\$ 103,960	\$ 117,226
Investment Return:			
Investment Income	96	783	879
Net Appreciation (Realized and Unrealized)	375	3,026	3,401
Total Investment Return	<u>471</u>	<u>3,809</u>	<u>4,280</u>
Endowment Funds - End of Year	<u>\$ 13,737</u>	<u>\$ 107,769</u>	<u>\$ 121,506</u>
<u>August 31, 2022</u>			
Endowment Funds - Beginning of Year	\$ 13,942	\$ 109,424	\$ 123,366
Investment Return:			
Investment Income	66	536	602
Net Appreciation (Realized and Unrealized)	(742)	(6,000)	(6,742)
Total Investment Return	<u>(676)</u>	<u>(5,464)</u>	<u>(6,140)</u>
Endowment Funds - End of Year	<u>\$ 13,266</u>	<u>\$ 103,960</u>	<u>\$ 117,226</u>

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no fund deficiencies as of August 31, 2023 and 2022.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment fund(s) while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

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NOTE 12 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of not appropriating any funds until the endowment reaches a balance of \$105,000 in total at which time the endowment can withdraw \$5,000 from the donor restricted funds that shall be used to fund the cost of a wish. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 13 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 3 months of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2023 and 2022 were \$36,444 and \$29,791, respectively.

NOTE 14 CONCENTRATIONS OF CREDIT RISK

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

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NOTE 15 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 16 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the years ended August 31, 2023 and 2022, the Foundation granted 240 and 247 wishes, respectively. As of August 31, 2023 and 2022, respectively, there were approximately 583 and 493 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2023 was \$5,575 in cash and \$4,388 in in-kind for a total cost of \$9,963. The average cost of a wish for the year ended August 31, 2022 was \$4,323 in cash and \$1,438 in in-kind for a total cost of \$5,761.

NOTE 17 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 71% of wishes granted and the number of granted wishes averaged approximately 342. The number of wishes granted during the years ended August 31, 2023 and 2022 was 240 and 247, respectively.

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

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NOTE 18 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved for a \$295,805 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 2, 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 \$295,805 on November 10, 2020.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$250,977 loan. The loan was received on February 17, 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 \$250,977 on March 23, 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 19 EMPLOYEE RETENTION CREDIT

During the year ended August 31, 2022, the Foundation applied for and recorded an Employee Retention Credit (ERC) of \$196,025, part of federal COVID-19 relief for employers, on eligible employee wages for calendar year 2021. This credit is included in Public Support Grants as a government grant, which is recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. This grant is included in contributions receivable as of August 31, 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 20 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 20, 2024, the date at which the financial statements were available to be issued.

During October 2023, the Foundation received \$97,418 in funds out of the \$196,025 applied for thus far in Employee Retention Credits. No other amounts have been received thus far for the Employee Retention Credits.

NOTE 21 PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2023, it was determined net assets and contributions receivable were understated due to a receivable related to the Employer Retention Credit which had not been recorded. As a result, there was an increase to the change in the net assets, contribution receivable and net assets as of August 31, 2022 of \$196,025.



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