

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



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**MAKE-A-WISH FOUNDATION® OF AMERICA  
TABLE OF CONTENTS  
YEARS ENDED AUGUST 31, 2023 AND 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>8</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>9</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of America  
Phoenix, Arizona

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

#### ***Opinion***

We have audited the accompanying financial statements of Make-A-Wish Foundation® of America (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 America 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.

#### ***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 America 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 America'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 America'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 America'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  
January 3, 2024

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

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 14,815,214	\$ 12,718,848
Investments	15,850,460	14,916,494
Due from Related Entities	1,849,940	1,598,948
Prepaid Expenses	3,492,965	3,930,233
Contributions Receivable, Net	13,418,120	5,593,750
Other Assets	1,626,895	1,336,402
Split-Interest Agreements	1,540,723	1,459,691
Investments Held for Long-Term Purposes	18,712,981	15,300,012
Interest Rate Swap Asset	385,346	373,839
Property and Equipment, Net	35,517,502	37,507,133
Total Assets	\$ 107,210,146	\$ 94,735,350
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 5,786,945	\$ 6,739,784
Due to Related Entities	10,130,219	9,200,588
Other Liabilities	3,284,568	2,912,336
Note Payable	17,052,349	17,572,349
Total Liabilities	36,254,081	36,425,057
<b>NET ASSETS</b>		
Without Donor Restrictions	39,320,036	38,727,452
With Donor Restrictions	31,636,029	19,582,841
Total Net Assets	70,956,065	58,310,293
Total Liabilities and Net Assets	\$ 107,210,146	\$ 94,735,350

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Cash	\$ 84,318,375	\$ 17,605,793	\$ 101,924,168
Contributions, Donated Goods and Services	116,001,312	-	116,001,312
Grants	785,000	-	785,000
Total Public Support	201,104,687	17,605,793	218,710,480
Investment Income, Net	1,271,578	1,034,520	2,306,098
Chapter Assessments	23,460,461	-	23,460,461
Other Income	6,575,855	-	6,575,855
Net Assets Released from Restrictions	6,597,028	(6,597,028)	-
Total Revenues, Gains, and Other Support	239,009,609	12,043,285	251,052,894
<b>EXPENSES</b>			
Program Services:			
Wish Granting	11,986,878	-	11,986,878
Program-Related Support	76,755,428	-	76,755,428
Training and Development	1,127,740	-	1,127,740
Public Information	101,682,322	-	101,682,322
Total Program Services	191,552,368	-	191,552,368
Support Services:			
Fundraising	27,779,813	-	27,779,813
Management and General	19,073,337	-	19,073,337
Total Support Services	46,853,150	-	46,853,150
Total Expenses	238,405,518	-	238,405,518
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	604,091	12,043,285	12,647,376
<b>NONOPERATING ACTIVITIES</b>			
Change in Value of Split-Interest Agreements	-	9,903	9,903
Change in Value of Swap	(11,507)	-	(11,507)
Change in Net Assets from Nonoperating Activities	(11,507)	9,903	(1,604)
<b>CHANGE IN NET ASSETS</b>	592,584	12,053,188	12,645,772
Net Assets - Beginning of Year	38,727,452	19,582,841	58,310,293
<b>NET ASSETS - END OF YEAR</b>	\$ 39,320,036	\$ 31,636,029	\$ 70,956,065

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Cash	\$ 85,549,249	\$ 8,050,287	\$ 93,599,536
Contributions, Donated Goods and Services	84,294,567	-	84,294,567
Grants	2,135,000	-	2,135,000
Total Public Support	171,978,816	8,050,287	180,029,103
Investment Loss, Net	(851,465)	(2,184,099)	(3,035,564)
Chapter Assessments	20,607,527	-	20,607,527
Other Income	5,160,086	-	5,160,086
Net Assets Released from Restrictions	8,349,770	(8,349,770)	-
Total Revenues, Gains, and Other Support	205,244,734	(2,483,582)	202,761,152
<b>EXPENSES</b>			
Program Services:			
Wish Granting	6,213,838	-	6,213,838
Program-Related Support	74,406,801	-	74,406,801
Training and Development	507,313	-	507,313
Public Information	72,944,916	-	72,944,916
Total Program Services	154,072,868	-	154,072,868
Support Services:			
Fundraising	24,563,408	-	24,563,408
Management and General	16,894,555	-	16,894,555
Total Support Services	41,457,963	-	41,457,963
Total Expenses	195,530,831	-	195,530,831
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	9,713,903	(2,483,582)	7,230,321
<b>NONOPERATING ACTIVITIES</b>			
Change in Split-Interest Agreements	-	(141,844)	(141,844)
Change in Value of Swap	(719,668)	-	(719,668)
Change in Net Assets from Nonoperating Activities	(719,668)	(141,844)	(861,512)
<b>CHANGE IN NET ASSETS</b>	8,994,235	(2,625,426)	6,368,809
Net Assets - Beginning of Year	29,733,217	22,208,267	51,941,484
<b>NET ASSETS - END OF YEAR</b>	\$ 38,727,452	\$ 19,582,841	\$ 58,310,293

See accompanying Notes to Financial Statements.

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

	Program Services				Support Services				Total
	Wish Granting	Program Related Support	Training and Development	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	
Distributions to Related Entities	\$ 11,348,149	\$ 49,494,463	\$ -	\$ -	\$ 60,842,612	\$ -	\$ -	\$ -	\$ 60,842,612
Salaries, Taxes, and Benefits	459,535	14,212,916	742,239	450,747	15,865,437	2,891,009	11,197,929	14,088,938	29,954,375
Printing, Subscriptions, and Publications	45	3,068	888	870	4,871	4,230,283	26,420	4,256,703	4,261,574
Professional Fees	31,468	7,412,645	74,910	57,053	7,576,076	6,271,746	2,603,847	8,875,593	16,451,669
Rent and Utilities	1,768	56,560	3,385	542	62,255	9,992	774,600	784,592	846,847
Postage and Delivery	(251)	7,141	(630)	(93)	6,167	3,856,510	9,496	3,866,006	3,872,173
Travel	26,827	99,731	20,323	3,442	150,323	151,824	587,876	739,700	890,023
Meetings and Conferences	23,912	882,065	180,539	7,289	1,093,805	14,264	1,078,663	1,092,927	2,186,732
Office Supplies	266	2,252	195	78	2,791	966	174,717	175,683	178,474
Communications	4,825	147,462	8,299	3,363	163,949	25,066	114,608	139,674	303,623
Advertising and Media (Cash)	-	-	-	-	-	7,026,645	-	7,026,645	7,026,645
Advertising and Media (In-Kind)	-	-	-	101,143,551	101,143,551	802,650	-	802,650	101,946,201
Repairs and Maintenance	-	-	-	-	-	-	15,545	15,545	15,545
Insurance	16,428	525,511	31,446	5,046	578,431	92,839	372,715	465,554	1,043,985
Bad Debt Expense	-	-	-	-	-	699,805	(44,335)	655,470	655,470
Membership Dues	-	383	473	-	856	1,579	44,326	45,905	46,761
Grants and Scholarships	-	1,350,500	-	-	1,350,500	-	-	-	1,350,500
Miscellaneous	40,283	55,934	1,318	107	97,642	1,514,637	251,737	1,766,374	1,864,016
Interest Expense	1,709	54,668	3,271	525	60,173	9,658	492,311	501,969	562,142
Depreciation and Amortization	31,914	2,450,129	61,084	9,802	2,552,929	180,340	1,372,882	1,553,222	4,106,151
Administrative Charges	-	-	-	-	-	-	123,062	123,062	123,062
<b>Total</b>	<b>11,986,878</b>	<b>76,755,428</b>	<b>1,127,740</b>	<b>101,682,322</b>	<b>191,552,368</b>	<b>27,779,813</b>	<b>19,196,399</b>	<b>46,976,212</b>	<b>238,528,580</b>
Less: Expenses Netted Against Revenues on the Statement of Activities:									
Administrative Charges	-	-	-	-	-	-	(123,062)	(123,062)	(123,062)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 11,986,878</b>	<b>\$ 76,755,428</b>	<b>\$ 1,127,740</b>	<b>\$ 101,682,322</b>	<b>\$ 191,552,368</b>	<b>\$ 27,779,813</b>	<b>\$ 19,073,337</b>	<b>\$ 46,853,150</b>	<b>\$ 238,405,518</b>

See accompanying Notes to Financial Statements.



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

	Program Services				Support Services				Total
	Wish Granting	Program Related Support	Training and Development	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	
Distributions to Related Entities	\$ 5,722,125	\$ 54,147,328	\$ -	\$ -	\$ 59,869,453	\$ -	\$ -	\$ -	\$ 59,869,453
Salaries, Taxes, and Benefits	391,568	11,730,339	370,846	390,668	12,883,421	3,065,679	9,664,255	12,729,934	25,613,355
Printing, Subscriptions, and Publications	15,060	10,240	6,439	2,865	34,604	4,969,914	33,879	5,003,793	5,038,397
Professional Fees	9,351	6,239,863	34,916	140,398	6,424,528	4,834,315	3,828,978	8,663,293	15,087,821
Rent and Utilities	1,484	74,086	3,601	790	79,961	21,766	693,741	715,507	795,468
Postage and Delivery	26	29,106	641	517	30,290	3,827,576	19,588	3,847,164	3,877,454
Travel	14,616	144,648	7,621	2,498	169,383	78,767	171,591	250,358	419,741
Meetings and Conferences	216	16,832	1,798	20	18,866	33,043	283,896	316,939	335,805
Office Supplies	-	2,410	2,815	39	5,264	111	207,175	207,286	212,550
Communications	4,707	145,027	5,689	3,527	158,950	33,540	104,619	138,159	297,109
Advertising and Media (Cash)	-	-	-	4,391,961	4,391,961	296,927	-	296,927	4,688,888
Advertising and Media (In-Kind)	-	-	-	67,998,273	67,998,273	4,597,159	-	4,597,159	72,595,432
Repairs and Maintenance	-	3,737	-	-	3,737	-	12,068	12,068	15,805
Insurance	10,736	425,879	22,943	4,350	463,908	102,777	343,814	446,591	910,499
Bad Debt Expense	-	-	-	-	-	1,219,039	-	1,219,039	1,219,039
Membership Dues	-	47,823	678	-	48,501	14,890	28,361	43,251	91,752
Grants and Scholarships	20,000	59,000	-	-	79,000	-	-	-	79,000
Miscellaneous	540	45,108	595	94	46,337	1,266,584	8,199	1,274,783	1,321,120
Interest Expense	933	40,060	2,082	417	43,492	10,489	288,505	298,994	342,486
Depreciation and Amortization	22,476	1,245,315	46,649	8,499	1,322,939	190,832	1,205,886	1,396,718	2,719,657
Administrative Charges	-	-	-	-	-	-	137,439	137,439	137,439
<b>Total</b>	<b>6,213,838</b>	<b>74,406,801</b>	<b>507,313</b>	<b>72,944,916</b>	<b>154,072,868</b>	<b>24,563,408</b>	<b>17,031,994</b>	<b>41,595,402</b>	<b>195,668,270</b>
Less: Expenses Netted Against Revenues on the Statement of Activities:									
Administrative Charges	-	-	-	-	-	-	(137,439)	(137,439)	(137,439)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 6,213,838</b>	<b>\$ 74,406,801</b>	<b>\$ 507,313</b>	<b>\$ 72,944,916</b>	<b>\$ 154,072,868</b>	<b>\$ 24,563,408</b>	<b>\$ 16,894,555</b>	<b>\$ 41,457,963</b>	<b>\$ 195,530,831</b>

See accompanying Notes to Financial Statements.

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

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 12,645,772	\$ 6,368,809
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	4,106,151	2,719,657
Bad Debt Expense and Other	655,470	1,219,039
Contributions Restricted for Long-Term Investment	(2,743,069)	(268,223)
Net Realized and Unrealized (Gains) Losses on Investments	(1,524,572)	5,188,338
Unrealized (Gain) Loss on Swap	(11,507)	(719,668)
Change in Value of Split-Interest Agreements	(9,903)	141,844
Change in Discount to Present Value of Contributions Receivable	(80,214)	(138,230)
(Increase) Decrease in Assets:		
Contributions Receivable	(8,429,626)	112,550
Due from Related Entities	(250,992)	(1,189,354)
Prepaid Expenses	437,268	(2,064,978)
Other Assets	(394,832)	(207,837)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(952,839)	372,607
Due to Related Entities	780,541	881,901
Other Liabilities	372,232	1,307,787
Net Cash Provided by Operating Activities	4,599,880	13,724,242
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(11,999,599)	(60,253,139)
Proceeds from Sales of Investments	9,255,197	59,377,637
Purchases of Property and Equipment	(2,012,181)	(10,467,018)
Net Cash Used by Investing Activities	(4,756,583)	(11,342,520)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	2,773,069	-
Payments on Note Payable	(520,000)	(259,999)
Net Cash Provided (Used) by Financing Activities	2,253,069	(259,999)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,096,366	2,121,723
Cash and Cash Equivalents - Beginning of Year	12,718,848	10,597,125
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 14,815,214	\$ 12,718,848
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest Expense	\$ 562,141	\$ 342,486

See accompanying Notes to Financial Statements.

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

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of America (the Foundation) is an Arizona nonprofit corporation, the mission of which is “Together, we create life-changing wishes for children with critical illnesses.” The “Foundation’s Purpose” is to grant the wish of each child who has reached the age of 2-1/2 and is under the age of 18 and who has a critical illness (i.e., a progressive, degenerative, or malignant medical condition) that has placed the child’s life in jeopardy. The Foundation charters local chapters throughout the United States, its territories, and possessions (Chapters) and provides financial support, guidance, and other assistance to such Chapters in performing the Foundation’s Purpose. As of August 31, 2023 and 2022, the Foundation had 58 and 59 active chartered Chapters, respectively.

Chapter Agreements entered into between each Chapter and the Foundation provide for common purposes and policy direction. The Chapter Agreement also provides the Foundation with a security interest in the assets of the Chapters. The Foundation has elected not to consolidate the Chapters’ financial results into the accompanying financial statements, except when the Foundation assumes control of a Chapter. As of and for the years ended August 31, 2023 and 2022, the combined Chapters’ financial results (excluding the Foundation, the financial results of which are presented in the accompanying financial statements) were as follows:

	Dollars in Millions	
	2023	2022
Total Assets	\$ 497.6	\$ 478.1
Total Liabilities	47.9	25.8
Total Net Assets	449.7	452.4
Total Revenues	290.7	230.4
Total Expenses	292.8	213.0

**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.

**Measure of Operations**

The statements of activities for the Foundation includes in the definition of operations all resources and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists of the change in value of the split-interest agreements and the change in value of the interest rate swap.

**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.

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

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

**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. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

Investments held for long-term purposes have been segregated due to donor-imposed restrictions that limit their use to long-term purposes.

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 ROU assets – financing and lease liability – financing in the statements of financial position.

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

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

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

**Leases (Continued)**

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 \$1,000 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 39 years, with the exception of land, which is not depreciated. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

**Fair Value Measurements**

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

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

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

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

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

**Fair Value Measurements (Continued)**

*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.

*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, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**Revenue Recognition**

Revenue is recognized on the accrual basis and generally consists of contributions, grants, chapter assessments, and other income.

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

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

**Revenue Recognition (Continued)**

Donated advertising and media are reported as contribution revenue when received and fundraising or public information, if allocated as a joint cost, 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.

Chapter assessment revenue consist of dues paid by the individual chapters of the Foundation. The Foundation's obligations to the chapters include distributions from national revenue streams, PSA campaigns, and operational and programmatic support as necessary. These revenues are recognized over time as the year progresses.

Other income revenue consists of Shared Financial Services (SFS) fees, rental income, and rebates. These revenues are recognized over time as the services are delivered.

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. As of August 31, 2023 and 2022, the Foundation has conditional promises to give totaling \$12,700,000 and \$0-, respectively, in which conditions have not yet been 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:

	<u>2023</u>	<u>2022</u>
Wish Related Travel, Goods, and Services	\$ 11,982,946	\$ 8,857,126
Professional Services	1,600,000	174,928
Advertising and Media	101,946,201	72,595,432
Property and Equipment	-	1,698,407
Other	472,165	968,674
Total Contributed Nonfinancial Assets and Services	<u>\$ 116,001,312</u>	<u>\$ 84,294,567</u>

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

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

**Contributions – Donated Goods and Services (Continued)**

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

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

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and Arizona taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Arizona Revised Statutes § 43-1201(4). 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 Arizona jurisdiction.

**Functional Expenses**

The Foundation performs six functions: wish granting, program-related support, training and development, public information, 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.

**Program-Related Support**

Activities performed by the Foundation that promote Chapter development, monitor and direct Chapters, assist Chapters in complying with policies and guidelines, provide support for day-to-day Chapter management decisions, develop wish resources, administer wish programs, handle wish referrals and provide wish assistance for Chapters and wish placement.



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

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

**Functional Expenses (Continued)**

Training and Development

Activities performed by the Foundation consisting of national conference workshops and e-learning “best practices” classes prepared and conducted by the Foundation for the training, development and implementation of the wish programs of the Foundation, including but not limited to, the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation in communicating the purpose and services of the Foundation to all potential sources for wish referrals.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2023 and 2022, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	<u>2023</u>	<u>2022</u>
Fundraising	\$ 4,554,408	\$ 5,053,562
Public Information	1,928,262	2,114,086
Management and General	956,715	1,061,569
Total	<u>\$ 7,439,385</u>	<u>\$ 8,229,217</u>

Management and General

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

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

**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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments, split-interest agreements and contributions receivable, in-kinds, and whether an allowance for uncollectible contributions receivable is required.

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

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

**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 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.

Adoption of this new pronouncement had no impact on these financial statements as presented. 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 of directors (board) and through the enterprise-wide Benchmarks of Excellence. The Foundation strives to maintain liquid financial assets sufficient to cover six months of general expenditures, while also maximizing the investment of current and long-term investment funds. 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	\$ 64,646,715	\$ 50,128,052
Donor-Imposed Restrictions:		
Restricted Funds	(14,833,972)	(6,553,513)
Endowments	<u>(16,566,692)</u>	<u>(12,803,865)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 33,246,051</u>	<u>\$ 30,770,674</u>

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.

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

**NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)**

Endowment funds consist of donor-restricted 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.

**NOTE 4 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

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

The fair values of the financial instruments shown in the following table as of August 31, 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.

**Investments**

**Overall Investment Objective**

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

**Allocation of Investment Strategies**

In addition to traditional stock and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stock, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations.

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

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

**Investments (Continued)**

Allocation of Investment Strategies (Continued)

Private equity and real estate asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

**Fair Value Hierarchy**

The following table presents the fair value hierarchy of assets that are measured at fair value on a recurring basis, except those measured at cost or by NAV per share as a practical expedient as identified in the following at August 31:

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2023</u>					
Investments:					
Mutual Funds	\$ 15,489,498	\$ -	\$ -	\$ -	\$ 15,489,498
Exchange-Traded Funds	214,996	-	-	-	214,996
Alternative Investments	-	-	-	25,397	25,397
Cash and Cash Equivalents	-	-	-	120,569	120,569
Total Investments	15,704,494	-	-	145,966	15,850,460
Investments Held for Split-Interest Agreements:					
Mutual Funds	1,529,515	-	-	-	1,529,515
Cash and Cash Equivalents	-	-	-	11,208	11,208
Total Investments Held for Split-Interest Agreements	1,529,515	-	-	11,208	1,540,723
Investments Held for Long-Term Purposes:					
Mutual Funds	18,268,327	-	-	-	18,268,327
Exchange-Traded Funds	350,660	-	-	-	350,660
Cash and Cash Equivalents	-	-	-	93,994	93,994
Total Investments Held for Long-Term Purposes	18,618,987	-	-	93,994	18,712,981
Total Investments	\$ 35,852,996	\$ -	\$ -	\$ 251,168	\$ 36,104,164

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

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

**Fair Value Hierarchy (Continued)**

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
<u>August 31, 2022</u>					
Investments:					
Mutual Funds	\$ 14,572,076	\$ -	\$ -	\$ -	\$ 14,572,076
Exchange-Traded Funds	235,620	-	-	-	235,620
Alternative Investments	-	-	-	25,397	25,397
Cash and Cash Equivalents	-	-	-	83,401	83,401
Total Investments	<u>14,807,696</u>	<u>-</u>	<u>-</u>	<u>108,798</u>	<u>14,916,494</u>
Investments Held for Split-Interest Agreements:					
Mutual Funds	1,448,787	-	-	-	1,448,787
Cash and Cash Equivalents	-	-	-	10,904	10,904
Total Investments Held for Split-Interest Agreements	<u>1,448,787</u>	<u>-</u>	<u>-</u>	<u>10,904</u>	<u>1,459,691</u>
Investments Held for Long-Term Purposes:					
Mutual Funds	14,913,711	-	-	-	14,913,711
Alternative Investments	314,096	-	-	-	314,096
Cash and Cash Equivalents	-	-	-	72,205	72,205
Total Investments Held for Long-Term Purposes	<u>15,227,807</u>	<u>-</u>	<u>-</u>	<u>72,205</u>	<u>15,300,012</u>
Total Investments	<u>\$ 31,484,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,907</u>	<u>\$ 31,676,197</u>

For the valuation of investments, investments held for split-interest agreements and investments held for long-term purposes 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).

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at August 31:

Investment Strategy	2023			
	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 25,397	\$ -	Quarterly	45 Days
Total	<u>\$ 25,397</u>	<u>\$ -</u>		
Investment Strategy	2022			
	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$ 25,397	\$ -	Quarterly	45 Days
Total	<u>\$ 25,397</u>	<u>\$ -</u>		

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

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at rates equal to 4.20% and 2.79% at August 31, 2023 and 2022. The following is a summary of the Foundation's contributions receivable at August 31:

	2023	2022
Total Amounts Due in:		
One Year	\$ 10,564,811	\$ 4,219,696
Two to Five Years	3,025,000	1,182,143
More than Five Years	570,000	590,000
Gross Contributions Receivable	14,159,811	5,991,839
Less: Allowance for Doubtful Accounts	(423,816)	-
Less: Discount to Present Value	(317,875)	(398,089)
Contributions Receivable, Net	\$ 13,418,120	\$ 5,593,750

**NOTE 6 SPLIT-INTEREST AGREEMENTS**

**Charitable Gift Annuities**

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 a general 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, ranged from 0.80% to 6.20%. The charitable gift annuities account also includes assets from contributions and income totaling \$243,199 and \$196,261 at August 31, 2023 and 2022, respectively, for legally mandated reserves.

Liabilities to beneficiaries under charitable gift annuities totaled \$421,488 and \$427,530 at August 31, 2023 and 2022, respectively, and are included in Other Liabilities in the accompanying statements of financial position.

Liabilities to chapters who are designated as remainder beneficiaries under charitable gift annuities totaled \$883,870 and \$806,698 at August 31, 2023 and 2022, respectively, and are included in Due to Related Entities in the accompanying statements of financial position.

**NOTE 7 TRANSACTIONS WITH RELATED ENTITIES**

Chapters pay annual dues to the Foundation, which were \$23,460,461 and \$20,607,527 for the years ended August 31, 2023 and 2022, respectively. The Foundation supports the Chapters by providing funding and other support for the granting of wishes.

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

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

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and, as determined by the Foundation, are shared with the Chapters. 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, the Foundation provided the Chapters with contributions which were \$48,378,949 and \$50,549,166, respectively, from these national revenue streams.

As part of the Foundation's Wishes Forever Campaign, donors may designate chapters to receive periodic distributions, if and when such distributions are approved by the Foundation. Distributions are limited to income earned by the underlying assets which are held in perpetuity by the Foundation. Under this program, the Foundation provided the Chapters with contributions which were \$480,717 and \$371,161 for the years ended August 31, 2023 and 2022, respectively.

The Foundation conducts national fundraising efforts for which in-kind donations are received and shared with the Chapters. Donations received as a result of these efforts are reported in the statements of activities as in-kind contributions without donor restrictions and reported as Distributions to Related Entities, or expenses of the Foundation, in the statements of functional expenses. Under this program, the Foundation provided the Chapters with contributions which were \$11,982,946 and \$8,857,126 for the years ended August 31, 2023 and 2022, respectively.

As part of the Foundation's Wish Fulfillment Fund (a designated fund), Chapters may apply for funds that have been donated by corporate sponsors or other Chapters to underwrite the cost of wishes. Under this program, the Foundation provided 5 and 1 Chapters with contributions during the years ended August 31, 2023 and 2022, respectively, totaling \$1,328,000 and \$92,000 during the years ended August 31, 2023 and 2022, respectively, which are reported in the statements of functional expenses as Distributions to Related Entities.

As part of the Foundation's grant and scholarship programs, Chapters may apply for funds to supplement existing programs to attend Foundation sponsored events. Under these programs, the Foundation provided chapters with contributions totaling \$22,500 and \$79,000 during the years ended August 31, 2023 and 2022, respectively, which are reported in the statements of functional expenses as Grants and Scholarships.

As of August 31, 2023 and 2022, respectively, the Foundation had amounts due from related entities of \$1,849,940 and \$1,598,948, and amounts due to related entities of \$10,130,219 and \$9,200,588.

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

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

Amounts due from related entities represent annual chapter dues, Wish Fulfillment Fund contributions, and unreimbursed costs for joint administrative activities that have not been paid to the Foundation as of year-end. Amounts due to Related Entities represent contributions remitted to the Foundation that are specified for Chapters' use but were not yet transferred to the Chapters as of year-end or interests in Charitable Gift Annuities or Endowments for which Chapters are the beneficiary.

During 2023 and 2022, the Foundation received contributions, both cash and in-kind, from employees and board members totaling \$312,782 and \$270,171, respectively. As of August 31, 2023 and 2022, amounts due from employees and board members totaled \$480,328 and \$750,000, respectively, and are included in Contributions Receivable, Net, in the accompanying statements of financial position.

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

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

	2023	2022
Land	\$ 2,000,000	\$ 2,000,000
Building and Building Improvements	22,846,079	22,804,126
Computer Equipment	1,137,881	1,137,881
Computer Software	26,178,332	23,063,434
Office Furniture	137,020	137,020
Capital in Development	434,353	1,579,024
Total	52,733,665	50,721,485
Less: Accumulated Depreciation and Amortization	(17,216,163)	(13,214,352)
Property and Equipment, Net	\$ 35,517,502	\$ 37,507,133

Depreciation and amortization expense totaled \$4,106,151 and \$2,719,657 for the years ended August 31, 2023 and 2022, respectively.

**NOTE 9 CREDIT AGREEMENT**

The Foundation sponsors a corporate travel card account program (the Card Program) with a financial institution for the use of the Foundation and its Chapters. In the event of default by the sponsored account holder, the Foundation has the primary and continuing obligation of payment. The total credit limit under this credit agreement is \$26,435,010 at August 31, 2023, while \$6,825,673 is outstanding on this agreement as of August 31, 2023. At August 31, 2022, the total credit agreement was \$15,000,000 and \$8,486,504 was outstanding on this credit agreement. The outstanding balances on this credit agreement are recorded on the respective Chapters' financial statements.



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

**NOTE 10 INTEREST RATE SWAP AGREEMENT**

The Foundation entered into an interest rate swap agreement in October 2019 to protect against interest rate fluctuations on its variable rate debt with US Bank (see Note 11). On the Swap Agreement, The Foundation pays a fixed rate of interest at 1.322% and receives interest at 80% of the one month SOFR rate, (5.43% as of August 31, 2023). The notional amount of the contract at August 31, 2023 and 2022, is \$11,410,000. The notional amount under the agreement decreases as principal payments are made on the debt. As of August 31, 2023 and 2022, the fair value of the interest rate swap was an asset of \$385,346 and \$373,839, respectively.

**NOTE 11 NOTE PAYABLE**

The Foundation has financed their building loan using a financial instrument made up of a tax-exempt private placement bond issuance in the amount of \$11.4M and a note payable of \$6.4M. The Series 2019 Bonds bear interest at 80% of one month SOFR plus a margin of 1% (5.24% on August 31, 2023) and will mature on October 1, 2046. The note payable bears interest at one month SOFR plus a margin of 1% (6.3% on August 31, 2023) with interest only through June 1, 2022. After June 1, 2022, semi-annual principal payments ranging from \$260,000 to \$280,000 are due until the note matures on October 30, 2024. As of August 31, 2023 and 2022, the outstanding balances of the bonds and note are \$17,052,349 and \$17,572,349, respectively. Total interest paid was \$562,141 and \$342,486 for the years ended August 31, 2023 and 2022, respectively.

Future principal maturities are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	\$ 565,000
2025	5,077,349
Thereafter	11,410,000
Total	<u>\$ 17,052,349</u>

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

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Program and Mission Advancement	\$ 1,172,035	\$ 972,035
Building Campaign	71,815	230,442
Wish Granting and Chapter Support	1,086,622	1,098,649
Total	<u>2,330,472</u>	<u>2,301,126</u>
Subject to Passage of Time:		
Split-Interest Agreements	235,365	225,463
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	12,417,965	4,020,618
Total	<u>12,653,330</u>	<u>4,246,081</u>
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	3,233,579	2,225,535
Original Donor-Restricted Gift Amounts to be Maintained in Perpetuity	13,333,113	10,578,330
Promises to Give Restricted to Endowment	85,535	231,769
Total Endowments	<u>16,652,227</u>	<u>13,035,634</u>
Total Net Assets With Donor Restrictions	<u>\$ 31,636,029</u>	<u>\$ 19,582,841</u>

**NOTE 13 ENDOWMENTS**

The Foundation's endowment consists of two general endowments and a group of funds established for the purpose of granting children's wishes, which together total 53 and 52 individual donor-restricted funds as of August 31, 2023 and 2022, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets are reflected as Investments Held for Long-Term Purposes on the statements of financial position.

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

**NOTE 13 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (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 net asset composition by type of fund as of August 31 is as follows:

August 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 16,566,692	\$ 16,566,692
Board-Designated Endowment Funds	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 16,566,692</u>	<u>\$ 16,566,692</u>
<u>August 31, 2022</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 12,803,865	\$ 12,803,865
Board-Designated Endowment Funds	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 12,803,865</u>	<u>\$ 12,803,865</u>

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

**NOTE 13 ENDOWMENTS (CONTINUED)**

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

August 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 12,803,865	\$ 12,803,865
Investment Return, Net	-	1,034,520	1,034,520
Contributions	-	2,754,783	2,754,783
Appropriation of Endowment Asset for Expenditure	-	(26,476)	(26,476)
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 16,566,692</u>	<u>\$ 16,566,692</u>
<u>August 31, 2022</u>			
Endowment Net Assets - Beginning of Year	\$ -	\$ 14,282,631	\$ 14,282,631
Investment Return, Net	-	(2,184,099)	(2,184,099)
Contributions	-	1,017,125	1,017,125
Appropriation of Endowment Asset for Expenditure	-	(311,792)	(311,792)
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 12,803,865</u>	<u>\$ 12,803,865</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. As of August 31, 2023, funds with original gift values of \$127,374 and fair values of \$114,698, and deficiencies of \$12,676 were reported in net assets with donor restrictions. As of August 31, 2022, funds with original gift values of \$1,564,045 and fair values of \$1,487,585, and deficiencies of \$76,460 were reported in net assets with donor restrictions. These deficiencies, which the Foundation believes are temporary, resulted from unfavorable market conditions.

**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 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 purpose. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to generate a level of current income (interest and dividends) consistent with the overriding investment goal of the fund while avoiding excessive risk.

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

**NOTE 13 ENDOWMENTS (CONTINUED)**

**Return Objectives and Risk Parameters (Continued)**

The Foundation expects its endowment funds, over time, to achieve a total return in excess of the rate of inflation plus cash flow needs over the investment horizon in order to preserve purchasing power of Fund assets. The overriding investment goal of the fund is to conserve and enhance the capital value of the fund in real terms, through asset appreciation and income generation. Actual returns in any given year may vary from this goal.

**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 appropriating for distribution each year between 3% and 5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. However, if the market value of "Named" and "Legacy" funds, as defined in the Endowment Policy are less than the fund's threshold level, the distribution will be less than the Targeted Distribution, as defined in the Endowment Policy. If the market value of "Named" and "Legacy" endowment funds, are less than the fund's corpus but more than the threshold level, the distribution will be limited to the lower of its Targeted Distribution or Realized Increase, as defined in the Endowment Policy. The Endowment Policy also entitles the Foundation to receive, from each fund, a reasonable percentage, not to exceed 3% of the fund's market value, for administering the fund. 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 2% 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.

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

**NOTE 14 LEASES**

The Foundation leases space in its headquarters building to unrelated parties under noncancelable operating leases that expire at various dates through November 2024. Revenue from lease space was \$2,053,355 and \$1,539,421 for the years ended August 31, 2023 and 2022, respectively.

Future minimum payments to the Foundation under the leases of space in its headquarters building are as follows:

<u>Year Ending August 31</u>	<u>Amount</u>
2024	\$ 2,004,808
2025	1,797,842
2026	1,637,193
2027	156,238
2028	40,549
Thereafter	66,102
Total	<u>\$ 5,702,732</u>

**NOTE 15 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan if they have reached 21 years of age and are employed upon the applicable entry date. 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 100% of employee contributions up to 5% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2023 and 2022, were \$741,776 and \$684,344, respectively.

**NOTE 16 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.

In-kind contributions totaling \$72,595,432 were received from one donor for the year ended August 31, 2022, which represents 40% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected. There were no similar concentrations for the year ended August 31, 2023.

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

**NOTE 17 LITIGATION AND CLAIMS**

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, based on consultation with legal counsel, possible losses, if any, are immaterial to the Foundation's financial position, change in net assets, or liquidity, consequently, no provision has been made in the accompanying financial statements for losses, if any, which might result from the ultimate outcome of such matters.

**NOTE 18 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), the Foundation 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.

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

**NOTE 19 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through January 3, 2024, the date at which the financial statements were available to be issued.



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