

**MAKE-A-WISH FOUNDATION®
OF CENTRAL & SOUTH TEXAS**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021



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**MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Central & South Texas
Austin, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Central & South Texas, which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Central & South Texas, as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Make-A-Wish Foundation® of Central & South Texas 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 Central & South Texas's ability to continue as a going concern within one year after the date that 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 Central & South Texas'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 Central & South Texas'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

Minneapolis, Minnesota
March 21, 2023

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 4,391,643	\$ 3,308,374
Investments	1,199	1,994
Due from Related Entities	149,090	226,179
Prepaid Expenses	171,137	73,392
Contributions Receivable, Net	295,239	485,231
Other Assets	62,459	41,523
Property and Equipment, Net	25,241	54,417
Beneficial Interest in Assets Held by Others	40,942	20,036
Total Assets	\$ 5,136,950	\$ 4,211,146
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 520,348	\$ 489,267
Due to Related Entities	53,649	33,759
Deferred Rent	24,788	-
Capital Lease Obligations	8,657	12,117
Paycheck Protection Program	-	242,900
Total Liabilities	607,442	778,043
NET ASSETS		
Without Donor Restrictions	4,188,827	3,400,099
With Donor Restrictions	340,681	33,004
Total Net Assets	4,529,508	3,433,103
Total Liabilities and Net Assets	\$ 5,136,950	\$ 4,211,146

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 2,695,089	\$ 29,995	\$ 2,725,084
Contributions, Donated Goods and Services	1,145,465	233,739	1,379,204
Grants	272,267	66,000	338,267
Total Public Support	4,112,821	329,734	4,442,555
Internal Special Events, Cash	1,647,399	-	1,647,399
Internal Special Events, Goods and Services	15,676	-	15,676
Less: Costs of Direct Benefits to Donors	(289,953)	-	(289,953)
Total Special Events	1,373,122	-	1,373,122
Investment Income, Net	4,906	-	4,906
Forgiveness of Paycheck Protection Program Loan	242,900	-	242,900
Change in Value of Beneficial Interest in			
Assets Held by Others	-	(9,089)	(9,089)
Other Income	18,640	-	18,640
Net Assets Released from Restrictions	12,968	(12,968)	-
Total Revenues, Gains, and Other Support	5,765,357	307,677	6,073,034
EXPENSES			
Program Services:			
Wish Granting	3,776,471	-	3,776,471
Support Services:			
Fundraising	607,715	-	607,715
Management and General	592,443	-	592,443
Total Support Services	1,200,158	-	1,200,158
Total Expenses	4,976,629	-	4,976,629
CHANGE IN NET ASSETS	788,728	307,677	1,096,405
Net Assets - Beginning of Year	3,400,099	33,004	3,433,103
NET ASSETS - END OF YEAR	\$ 4,188,827	\$ 340,681	\$ 4,529,508

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 2,554,909	\$ 5,468	\$ 2,560,377
Contributions, Donated Goods and Services	299,948	-	299,948
Grants	629,350	-	629,350
Total Public Support	3,484,207	5,468	3,489,675
Internal Special Events, Cash	1,125,386	-	1,125,386
Internal Special Events, Goods and Services	9,535	-	9,535
Less: Costs of Direct Benefits to Donors	(215,893)	-	(215,893)
Total Special Events	919,028	-	919,028
Investment Income, Net	1,613	-	1,613
Forgiveness of Paycheck Protection Program Loan	242,900	-	242,900
Change in Value of Beneficial Interest in Assets Held by Others	-	3,098	3,098
Other Income	2,917	-	2,917
Net Assets Released from Restrictions	51,788	(51,788)	-
Total Revenues, Gains, and Other Support	4,702,453	(43,222)	4,659,231
EXPENSES			
Program Services:			
Wish Granting	2,214,081	-	2,214,081
Support Services:			
Fundraising	585,531	-	585,531
Management and General	488,608	-	488,608
Total Support Services	1,074,139	-	1,074,139
Total Expenses	3,288,220	-	3,288,220
CHANGE IN NET ASSETS	1,414,233	(43,222)	1,371,011
Net Assets - Beginning of Year	1,985,866	76,226	2,062,092
NET ASSETS - END OF YEAR	\$ 3,400,099	\$ 33,004	\$ 3,433,103

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 2,572,038	\$ -	\$ -	\$ -	\$ -	\$ 2,572,038
Salaries, Taxes, and Benefits	787,900	412,786	277,457	690,243	-	1,478,143
Printing, Subscriptions, and Publications	606	3,989	953	4,942	-	5,548
Professional Fees	710	4,717	189,406	194,123	-	194,833
Rent and Utilities	73,829	32,960	25,049	58,009	-	131,838
Postage and Delivery	1,585	1,423	792	2,215	-	3,800
Travel	721	5,891	1,837	7,728	-	8,449
Meetings and Conferences	885	11,781	5,230	17,011	-	17,896
Office Supplies	20,249	4,243	3,544	7,787	-	28,036
Communications	15,476	6,987	5,234	12,221	-	27,697
Advertising and Media (Cash)	-	3,300	632	3,932	-	3,932
Repairs and Maintenance	3,923	2,341	1,331	3,672	-	7,595
Insurance	-	194	-	194	-	194
Membership Dues	282	126	96	222	-	504
National Partnership Dues	258,853	46,737	53,928	100,665	-	359,518
Miscellaneous	18,532	60,918	19,869	80,787	-	99,319
Depreciation and Amortization	20,882	9,322	7,085	16,407	-	37,289
Special Event - Direct Donor Benefits	-	-	-	-	289,953	289,953
Total	<u>3,776,471</u>	<u>607,715</u>	<u>592,443</u>	<u>1,200,158</u>	<u>289,953</u>	<u>5,266,582</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,953)</u>	<u>(289,953)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u><u>\$ 3,776,471</u></u>	<u><u>\$ 607,715</u></u>	<u><u>\$ 592,443</u></u>	<u><u>\$ 1,200,158</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,976,629</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 1,154,503	\$ -	\$ -	\$ -	\$ -	\$ 1,154,503
Salaries, Taxes, and Benefits	655,143	397,904	307,532	705,436	-	1,360,579
Printing, Subscriptions, and Publications	2,250	3,684	1,909	5,593	-	7,843
Professional Fees	6,023	10,017	69,031	79,048	-	85,071
Rent and Utilities	57,251	26,211	19,836	46,047	-	103,298
Postage and Delivery	3,908	2,262	975	3,237	-	7,145
Travel	1,105	1,986	243	2,229	-	3,334
Meetings and Conferences	491	8,924	953	9,877	-	10,368
Office Supplies	10,732	1,692	2,429	4,121	-	14,853
Communications	14,291	6,458	4,744	11,202	-	25,493
Advertising and Media (Cash)	972	2,629	54	2,683	-	3,655
Advertising and Media (In-Kind)	-	11,500	-	11,500	-	11,500
Repairs and Maintenance	2,340	1,045	794	1,839	-	4,179
Bad Debt Expense	-	5,840	-	5,840	-	5,840
Membership Dues	306	139	105	244	-	550
Grants and Scholarships	7,500	-	-	-	-	7,500
National Partnership Dues	248,385	44,847	51,747	96,594	-	344,979
Miscellaneous	19,513	47,050	18,181	65,231	-	84,744
Depreciation and Amortization	29,368	13,343	10,075	23,418	-	52,786
Special Event - Direct Donor Benefits	-	-	-	-	215,893	215,893
Total	2,214,081	585,531	488,608	1,074,139	215,893	3,504,113
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(215,893)	(215,893)
 Total Expenses Included in the Expense Section of the Statement of Activities	 <u>\$ 2,214,081</u>	 <u>\$ 585,531</u>	 <u>\$ 488,608</u>	 <u>\$ 1,074,139</u>	 <u>\$ -</u>	 <u>\$ 3,288,220</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,096,405	\$ 1,371,011
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	37,289	52,786
Net Realized and Unrealized (Gains) Losses on Investments	795	(749)
Forgiveness of Paycheck Protection Program Loan	(242,900)	(242,900)
Change in Value of Beneficial Interest in Assets Held by Others	5,053	(3,098)
(Increase) Decrease in Assets:		
Contributions Receivable	189,992	(410,943)
Due from Related Entities	77,089	19,224
Prepaid Expenses	(97,745)	12,311
Other Assets	(20,936)	(8,367)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	31,081	298,743
Due to Related Entities	19,890	29,762
Tenant Improvements Allowance	-	(6,000)
Deferred Rent	24,788	(5,152)
Net Cash Provided by Operating Activities	1,120,801	1,106,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(8,113)	(11,165)
Purchase of Beneficial Interest in Assets Held by Others	(25,959)	-
Net Cash Used by Investing Activities	(34,072)	(11,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(3,460)	(3,243)
Proceeds from Paycheck Protection Program	-	242,900
Net Cash Provided by (Used) Financing Activities	(3,460)	239,657
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,083,269	1,335,120
Cash and Cash Equivalents - Beginning of Year	3,308,374	1,973,254
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,391,643	\$ 3,308,374
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest on Capital Lease	\$ 686	\$ 885
Contributed Property and Inventory	\$ 36,477	\$ 5,472

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Central & South Texas (the Foundation) is a Texas nonprofit corporation, organized for the purpose of creating life changing wishes for children with critical illnesses. The Foundation is an independent 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 (GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the statements of financial position.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

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

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.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Revenue Recognition

Revenue is recognized on the accrual basis and generally consists of contributions, special event revenue, in-kinds and other income.

Special event revenue consists of registrations, sponsorships and other contributions. The exchange element of the special event revenue was approximately \$289,954 and \$215,893 for the years ended August 31, 2022 and 2021, respectively. The portion that is considered to be exchange revenue is recognized as revenue when the performance obligations are met which is the occurrence of the event.

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. Conditional promises outstanding for the years ended August 31, 2022 and 2021 were \$-0-.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

<u>August 31, 2022</u>	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 1,082,626	\$ -	\$ -	\$ 1,082,626
Professional Services	-	-	20,000	20,000
Rent	8,181	3,652	2,776	14,609
Other	2,977	3,000	-	5,977
Total	<u>\$ 1,093,784</u>	<u>\$ 6,652</u>	<u>\$ 22,776</u>	1,123,212

Inventory (Asset)	36,477
In-Kind Receivable (Asset)	31,652
In-Kind Receivable (Net Change)	203,539
Total	<u>\$ 1,394,880</u>

<u>August 31, 2021</u>	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 287,144	\$ -	\$ -	\$ 287,144
Rent	8,320	3,966	3,014	15,300
Advertising and Media	-	11,500	-	11,500
Other	1,050	2,409	378	3,837
Total	<u>\$ 296,514</u>	<u>\$ 17,875</u>	<u>\$ 3,392</u>	317,781

Contributions Receivable, Net Change	(13,770)
Inventory (Asset)	5,472
Total	<u>\$ 309,483</u>

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

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items. The Foundation estimates the fair value of these donated items based on the current market rates for similar items in the Foundation's market. The Foundation receives auction items to be sold at its special events. Contributed auction items are valued at the gross selling price received and the value is included in internal special event revenue on the statement of activities. The amount of auction items received and sold during the years ended August 31, 2022 and 2021 totaled \$417,122 and \$237,299, respectively.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising 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.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Texas taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 171.063 of the Texas Tax 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, 2022 and 2021. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

Functional Expenses

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

Wish Granting

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

Fundraising

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

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General

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

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

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$24,788 and \$-0-, respectively, at August 31, 2022 and 2021.

Management Estimates

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

Adoption of Accounting Pronouncement

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

Accounting Pronouncement Not Yet Effective

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

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NOTE 3 LIQUIDITY AND AVAILABILITY

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

	2022	2021
Total Financial Assets	\$ 4,878,113	\$ 4,041,814
Donor-Imposed Restrictions:		
Restricted Funds	(340,681)	(33,004)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,537,432	\$ 4,008,810

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

NOTE 4 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>August 31, 2022</u>				
Assets				
Investments:				
Equity Securities	\$ 1,199	\$ -	\$ -	\$ 1,199
Nonrecurring:				
Beneficial Interest in Assets				
Held by Others	-	-	40,942	40,942
Total Assets	<u>\$ 1,199</u>	<u>\$ -</u>	<u>\$ 40,942</u>	<u>\$ 42,141</u>
<u>August 31, 2021</u>				
Assets				
Investments:				
Equity Securities	\$ 1,994	\$ -	\$ -	\$ 1,994
Nonrecurring:				
Beneficial Interest in Assets				
Held by Others	-	-	20,036	20,036
Total Assets	<u>\$ 1,994</u>	<u>\$ -</u>	<u>\$ 20,036</u>	<u>\$ 22,030</u>

Purchases, sales, transfers in and transfers out of Level 3 investments consist of the following for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Purchases	\$ 25,959	\$ -

The following table describes the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year:

<u>Quantitative Information About Level 3 Fair Value Measurements</u>			
<u>Type of Assets</u>	<u>Fair Value at August 31, 2022</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial Interests in Trusts Held by Others	\$ 40,942	FMV of Assets	Value of Underlying Asset
Total	<u>\$ 40,942</u>		
<u>Type of Assets</u>	<u>Fair Value at August 31, 2021</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial Interests in Trusts Held by Others	\$ 20,036	FMV of Assets	Value of Underlying Asset
Total	<u>\$ 20,036</u>		

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial Interest in Assets Held by Others

As of August 31, 2022 and 2021, the Foundation had a beneficial interest in assets held by others of \$40,942 and \$20,036, respectively. This interest consists of funds contributed to a community foundation. An endowment agreement has been signed with the community foundation. Distributions from the community foundation are made in accordance with the spending policies adopted by the board of directors of the community foundation. The community foundation has variance power as it relates to these assets. The beneficial interest in assets held by others consists of funds contributed and the earnings thereon, net of distributions received, and is classified as net assets with donor restrictions in the statements of financial position.

NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable at August 31, 2022 and 2021 were \$295,239 and \$485,231, respectively, of which 67% and 83% is due from one and three donors, respectively. Contributions receivable include pledges that have been discounted at 3.27% for the year ended August 31, 2022. The following is a summary of the Foundation's contributions receivable at August 31:

	2022	2021
Total Amounts Due in:		
One Year	\$ 286,739	\$ 503,231
Two to Five Years	15,600	-
Gross Contributions Receivable	302,339	503,231
Less: Allowance for Doubtful Accounts	(7,100)	(18,000)
Contributions Receivable, Net	\$ 295,239	\$ 485,231

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2022 and 2021, respectively, the Foundation received \$1,439,181 and \$1,314,391 from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation \$4,667 and \$0- during the years ended August 31, 2022 and 2021, respectively.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$497,269 and \$397,904 was paid from the Foundation to the National Organization during the years ended August 31, 2022 and 2021, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$6,400 and \$2,700, respectively, for the years ended August 31, 2022 and 2021 which is recorded in the accompanying statements of activities as Other Income.

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

	2022	2021
Due from National Organization	\$ 140,796	\$ 223,505
Due from Other Chapters	8,294	2,674
Total Due from Related Entities	\$ 149,090	\$ 226,179
Due to National Organization	\$ 708	\$ 26,174
Due to Other Chapters	52,941	7,585
Total Due to Related Entities	\$ 53,649	\$ 33,759

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, 2022 and 2021, the Foundation received contributions, both cash and in-kind, from board members totaling \$88,321 and \$154,483, respectively. At August 31, 2022 and 2021, amounts due from board members totaled \$19,000 and \$13,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

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NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Computer Equipment and Software	\$ 93,045	\$ 125,638
Office Furniture and Equipment	59,101	80,965
Leasehold Improvements	<u>51,536</u>	<u>51,536</u>
Total	203,682	258,139
Less: Accumulated Depreciation and Amortization	<u>(178,441)</u>	<u>(203,722)</u>
Property and Equipment, Net	<u><u>\$ 25,241</u></u>	<u><u>\$ 54,417</u></u>

Depreciation and amortization expense totaled \$37,289 and \$52,786, respectively, for the years ended August 31, 2022 and 2021.

NOTE 8 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through October 2026. As of August 31, 2022 and 2021, the cost of leased property and equipment under capital leases was \$18,400 and \$18,400, and accumulated depreciation was \$10,805 and \$7,301, respectively. Total rent expense for all operating leases for the years ended August 31, 2022 and 2021 totaled \$107,021 and \$100,120, respectively, of which \$14,609 and \$15,300 was donated rent, respectively.

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2023	\$ 129,282	\$ 4,146
2024	130,038	4,146
2025	<u>6,797</u>	<u>691</u>
Total Minimum Lease Payments	266,117	8,983
Less: Amounts Representing Interest	-	(326)
Present Value of Net Minimum Lease Payments	<u><u>\$ 266,117</u></u>	<u><u>\$ 8,657</u></u>

Effective March 1, 2023, the Foundation amended its lease agreement to be month-to-month at a rate of \$7,500 per month.

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NOTE 9 NET ASSETS

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Wish Granting	\$ 269,539	\$ 10,468
Total	269,539	10,468
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	30,200	2,500
Total	30,200	2,500
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	(5,053)	4,036
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Chris and Jill Forland Endowment	25,959	-
Mary C. Freeman Endowment	20,036	16,000
Total	40,942	20,036
Total Donor-Restricted Net Assets	\$ 340,681	\$ 33,004

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan upon date of hire. 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 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2022 and 2021 were \$17,199 and \$22,445, respectively.

NOTE 11 CONCENTRATIONS OF CREDIT RISK

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

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NOTE 12 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 13 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the years ended August 31, 2022 and 2021, the Foundation granted 242 and 157 wishes, respectively. As of August 31, 2022 and 2021, respectively, there were approximately 538 and 381 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2022 was \$6,808 in cash and \$3,823 in in-kind for a total cost of \$10,631. The average cost of a wish for the year ended August 31, 2021 was \$5,536 in cash and \$1,841 in in-kind for a total cost of \$7,377.

NOTE 14 RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) began. On March 10, 2020, in conjunction with the Make-A-Wish America National Medical Advisory Council (NMAC), Make-A-Wish America issued instructions to pause travel and large gathering wishes until deemed medically safe for our vulnerable population and their families. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

As of September 15, 2021, in consultation with the NMAC, the pause on domestic travel to large gatherings was lifted, if travel occurred by automobile. The pause on airline travel was lifted December 1, 2021 with a graduated approach with full domestic travel resuming June of 2022. International and cruise wish travel is still paused as of August 31, 2022. Prior to fiscal year 2020, travel wishes have been approximately 84% of wishes granted and the number of granted wishes averaged approximately 299. The number of wishes granted during the years ended August 31, 2022 and 2021 was 242 and 157, respectively.

The Foundation continues to evaluate all expenses and fundraising efforts in light of the impact of COVID-19. National efforts are underway to return to wish granting and fundraising efforts when it is deemed medically safe.

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NOTE 15 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved a \$242,900 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 15, 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 \$242,900 on March 10, 2021.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$242,900 loan. The loan was received on March 18, 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 \$242,900 on February 28, 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 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 21, 2023, the date at which the financial statements were available to be issued.



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