

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

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2023 AND 2022



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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 (the Foundation), 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 Central & South Texas, as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Make-A-Wish Foundation® of 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
January 3, 2024

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 281,690	\$ 4,391,643
Investments	2,414,668	1,199
Due from Related Entities	160,987	149,090
Prepaid Expenses	150,100	171,137
Contributions Receivable, Net	234,732	295,239
Other Assets	11,662	62,459
Right-of-Use Assets - Operating	1,480,601	-
Right-of-Use Assets - Finance	27,874	-
Property and Equipment, Net	36,569	25,241
Beneficial Interest in Assets Held by Others	71,704	40,942
	\$ 4,870,587	\$ 5,136,950
Total Assets	\$ 4,870,587	\$ 5,136,950
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 376,212	\$ 520,348
Due to Related Entities	82,470	53,649
Deferred Rent	-	24,788
Capital Lease Obligations	-	8,657
Lease Liability - Operating	1,493,457	-
Lease Liability - Financing	28,326	-
	1,980,465	607,442
Total Liabilities	1,980,465	607,442
NET ASSETS		
Without Donor Restrictions	2,624,521	4,188,827
With Donor Restrictions	265,601	340,681
Total Net Assets	2,890,122	4,529,508
Total Liabilities and Net Assets	\$ 4,870,587	\$ 5,136,950

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Cash	\$ 1,905,807	\$ 26,388	\$ 1,932,195
Contributions, Donated Goods and Services	1,308,159	178,297	1,486,456
Grants	391,772	-	391,772
Total Public Support	3,605,738	204,685	3,810,423
Internal Special Events, Cash	883,185	-	883,185
Internal Special Events, Goods and Services	45,085	-	45,085
Less: Costs of Direct Benefits to Donors	(386,932)	-	(386,932)
Total Special Events	541,338	-	541,338
Investment Income, Net	28,768	-	28,768
Change in Value of Beneficial Interest in Assets Held by Others	-	5,124	5,124
Other Income	9,133	-	9,133
Net Assets Released from Restrictions	284,889	(284,889)	-
Total Revenues, Gains, and Other Support	4,469,866	(75,080)	4,394,786
EXPENSES			
Program Services:			
Wish Granting	4,821,754	-	4,821,754
Support Services:			
Fundraising	667,387	-	667,387
Management and General	545,031	-	545,031
Total Support Services	1,212,418	-	1,212,418
Total Expenses	6,034,172	-	6,034,172
CHANGE IN NET ASSETS	(1,564,306)	(75,080)	(1,639,386)
Net Assets - Beginning of Year	4,188,827	340,681	4,529,508
NET ASSETS - END OF YEAR	\$ 2,624,521	\$ 265,601	\$ 2,890,122

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 FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 3,468,551	\$ -	\$ -	\$ -	\$ -	\$ 3,468,551
Salaries, Taxes, and Benefits	895,453	415,423	266,463	681,886	-	1,577,339
Printing, Subscriptions, and Publications	1,053	7,638	2,430	10,068	-	11,121
Professional Fees	7,501	11,911	127,167	139,078	-	146,579
Rent and Utilities	57,140	25,509	19,664	45,173	-	102,313
Postage and Delivery	3,493	1,404	547	1,951	-	5,444
Travel	2,285	7,389	15,630	23,019	-	25,304
Meetings and Conferences	1,992	14,617	15,255	29,872	-	31,864
Office Supplies	48,600	6,818	3,258	10,076	-	58,676
Communications	18,962	8,390	6,433	14,823	-	33,785
Advertising and Media (Cash)	-	2,881	325	3,206	-	3,206
Advertising and Media (In-Kind)	-	10,050	-	10,050	-	10,050
Repairs and Maintenance	3,510	1,567	1,577	3,144	-	6,654
Insurance	-	1,196	-	1,196	-	1,196
Bad Debt Expense	-	15,317	-	15,317	-	15,317
Membership Dues	231	303	1,128	1,431	-	1,662
National Partnership Dues	287,253	65,658	57,451	123,109	-	410,362
Miscellaneous	15,567	66,779	24,255	91,034	-	106,601
Depreciation and Amortization	10,163	4,537	3,448	7,985	-	18,148
Special Event - Direct Donor Benefits	-	-	-	-	386,932	386,932
Total	4,821,754	667,387	545,031	1,212,418	386,932	6,421,104
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(386,932)	(386,932)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,821,754</u>	<u>\$ 667,387</u>	<u>\$ 545,031</u>	<u>\$ 1,212,418</u>	<u>\$ -</u>	<u>\$ 6,034,172</u>

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	-	-	-	-	(289,953)	(289,953)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,776,471</u>	<u>\$ 607,715</u>	<u>\$ 592,443</u>	<u>\$ 1,200,158</u>	<u>\$ -</u>	<u>\$ 4,976,629</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,639,386)	\$ 1,096,405
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	18,148	37,289
Amortization of Right-of Use Asset, Finance Lease	6,969	-
Loss on Disposal of Property and Equipment	2,159	-
Net Realized and Unrealized (Gains) Losses on Investments	279	795
Forgiveness of Paycheck Protection Program Loan	-	(242,900)
Change in Value of Beneficial Interest in Assets Held by Others	(5,124)	5,053
Contributed Property and Equipment	(9,596)	-
Change in Operating Right-of-Use Assets and Lease Liabilities	4,198	-
(Increase) Decrease in Assets:		
Contributions Receivable	60,507	189,992
Due from Related Entities	(11,897)	77,089
Prepaid Expenses	21,037	(97,745)
Other Assets	50,797	(20,936)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(144,136)	31,081
Due to Related Entities	28,821	19,890
Tenant Improvements Allowance	-	-
Deferred Rent	(24,788)	24,788
Net Cash Provided (Used) by Operating Activities	(1,642,012)	1,120,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,413,748)	-
Purchases of Property and Equipment	(22,039)	(8,113)
Purchase of Beneficial Interest in Assets Held by Others	(26,388)	(25,959)
Distribution from Beneficial Interest in Assets Held by Others	750	-
Net Cash Used by Investing Activities	(2,461,425)	(34,072)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	-	(3,460)
Principal Payments on Finance Lease Obligations	(6,516)	-
Net Cash Used Financing Activities	(6,516)	(3,460)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,109,953)	1,083,269
Cash and Cash Equivalents - Beginning of Year	4,391,643	3,308,374
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 281,690	\$ 4,391,643
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest on Capital Lease	\$ 1,031	\$ 686
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,527,037	\$ -
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ 44	\$ -
Contributed Property and Inventory	\$ 9,596	\$ 36,477

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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.

Leases

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

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

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

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases (Fiscal Year 2022) are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 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.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

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, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from 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.

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors.

Special event revenue consists of registrations, sponsorships and other contributions. The exchange element of the special event revenue was approximately \$386,932 and \$289,953 for the years ended August 31, 2023 and 2022, respectively. The portion that is considered to be exchange revenue is recognized as revenue when the performance obligations are met which is the occurrence of the event.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

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.

The Foundation receives auction items to be sold at its special events. Contributed auction items are valued at the gross selling price received and the value is included in internal special event revenue on the statement of activities. The amount of auction items received and sold during the years ended August 31, 2023 and 2022 totaled \$277,865 and \$0-, respectively.

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, 2023 and 2022 were \$0-.

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	\$ 1,408,570	\$ 1,354,294
Professional Services	3,000	20,000
Contributed Office Space	14,600	14,609
Advertising and Media	10,050	-
Special Events	45,085	-
Property and Equipment	9,596	-
Other	<u>40,640</u>	<u>5,977</u>
Total Contributed Nonfinancial Assets and Services	<u>\$ 1,531,541</u>	<u>\$ 1,394,880</u>

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
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 partial CFO assistance used for support services and are valued and reported at the estimated fair value based on current rates for similar services.

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

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

Special event donated items are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items. The Foundation estimates the fair value of these donated items based on the current market rates for similar items in the Foundation's market.

Property and equipment items donated consist of donated items for the new office space and were valued using estimated fair value at the date of receipt.

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, 2023 and 2022. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

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

Wish Granting

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

Fundraising

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

Management and General

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

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

Deferred Rent (ASC 840)

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

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement (Continued)

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

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

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

NOTE 3 LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Total Financial Assets	\$ 3,163,781	\$ 4,878,113
Donor-Imposed Restrictions:		
Restricted Funds	(193,897)	(299,739)
Endowments	<u>(71,704)</u>	<u>(40,942)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,898,180</u>	<u>\$ 4,537,432</u>

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.

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

NOTE 4 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
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AUGUST 31, 2023 AND 2022

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

The fair values of the financial instruments shown in the following table as of August 31, 2023 and 2022 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

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, 2023</u>				
Assets				
Investments:				
Equity Securities	\$ 920	\$ -	\$ -	\$ 920
Certificates of Deposit	-	-	-	2,413,748
Total Investments	<u>920</u>	<u>-</u>	<u>-</u>	<u>2,414,668</u>
Nonrecurring:				
Beneficial Interest in Assets				
Held by Others	-	-	71,704	71,704
Total Assets	<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 71,704</u>	<u>\$ 2,486,372</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>

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

	<u>2023</u>	<u>2022</u>
Purchases	<u>\$ 26,388</u>	<u>\$ 25,959</u>

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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:

Quantitative Information About Level 3 Fair Value Measurements			
Type of Assets	Fair Value at August 31, 2023	Principal Valuation Technique	Unobservable Inputs
Beneficial Interests in Trusts Held by Others	\$ 71,704	FMV of Assets	Value of Underlying Asset
Total	\$ 71,704		
Type of Assets	Fair Value at August 31, 2022	Principal Valuation Technique	Unobservable Inputs
Beneficial Interests in Trusts Held by Others	\$ 40,942	FMV of Assets	Value of Underlying Asset
Total	\$ 40,942		

Beneficial Interest in Assets Held by Others

As of August 31, 2023 and 2022, the Foundation had a beneficial interest in assets held by others of \$71,704 and \$40,942, 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, 2023 and 2022 were \$234,732 and \$295,239, respectively, of which 76% and 67% is due from one donor, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

	2023	2022
Total Amounts Due in:		
One Year	\$ 232,532	\$ 286,739
Two to Five Years	2,200	15,600
Gross Contributions Receivable	234,732	302,339
Less: Allowance for Doubtful Accounts	-	(7,100)
Contributions Receivable, Net	\$ 234,732	\$ 295,239

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2023 and 2022, respectively, the Foundation received \$910,027 and \$1,439,181 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 contributed \$-0- and \$4,667 during the years ended August 31, 2023 and 2022, respectively.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$517,369 and \$497,269 was paid from the Foundation to the National Organization during the years ended August 31, 2023 and 2022, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$10,450 and \$6,400, respectively, for the years ended August 31, 2023 and 2022 which is recorded in the accompanying statements of activities as Other Income.

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

	2023	2022
Due from National Organization	\$ 127,513	\$ 140,796
Due from Other Chapters	33,474	8,294
Total Due from Related Entities	<u>\$ 160,987</u>	<u>\$ 149,090</u>
Due to National Organization	\$ 4,822	\$ 708
Due to Other Chapters	77,648	52,941
Total Due to Related Entities	<u>\$ 82,470</u>	<u>\$ 53,649</u>

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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

During the years ended August 31, 2023 and 2022, the Foundation received contributions, both cash and in-kind, from board members totaling \$132,903 and \$88,321, respectively. At August 31, 2023 and 2022, amounts due from board members totaled \$400 and \$19,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Computer Equipment and Software	\$ 59,937	\$ 93,045
Office Furniture and Equipment	26,970	59,101
Leasehold Improvements	17,776	51,536
Total	104,683	203,682
Less: Accumulated Depreciation and Amortization	(68,114)	(178,441)
Property and Equipment, Net	\$ 36,569	\$ 25,241

Depreciation and amortization expense totaled \$18,148 and \$37,289, respectively, for the years ended August 31, 2023 and 2022.

NOTE 8 LEASES

Lease Agreements - ASC 842

The Foundation leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2038.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 8 LEASES (CONTINUED)

Lease Agreements - ASC 842 (Continued)

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

Lease Cost:

Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$	6,969
Interest on Lease Liabilities		1,031
Operating Lease Cost		61,814
Total Lease Cost	<u>\$</u>	<u>69,814</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Financing Leases		1,031
Operating Cash Flows from Operating Leases		51,864
Financing Cash Flows from Financing Leases		6,517
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities		34,842
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities		1,527,037
Weighted-Average Remaining Leases Term - Financing Leases		4.0 years
Weighted-Average Remaining Lease Term - Operating Leases		14.3 years
Weighted-Average Discount Rate - Financing Leases		3.30%
Weighted-Average Discount Rate - Operating Leases		3.59%

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

<u>Year Ending August 31</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 122,210	\$ 7,548
2025	118,835	7,548
2026	104,701	7,548
2027	105,265	7,548
2028	110,320	-
Thereafter	1,410,380	-
Total Lease Payments	<u>1,971,711</u>	<u>30,192</u>
Less: Imputed Interest	<u>(478,254)</u>	<u>(1,866)</u>
Present Value of Lease Liabilities	<u>\$ 1,493,457</u>	<u>\$ 28,326</u>

Capital and Operating Lease Agreements – ASC 840

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through October 2026. As of August 31, 2022, the cost of leased property and equipment under capital leases was \$18,000 and accumulated depreciation was \$10,805. Total rent expense for all operating leases for the year ended August 31, 2022 totaled \$107,021.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 9 NET ASSETS

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

	2023	2022
Subject to Expenditure for Specified Purpose:		
Wish Granting	\$ 178,297	\$ 269,539
Total	178,297	269,539
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	15,600	30,200
Total	15,600	30,200
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	9,357	(5,053)
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Chris and Jill Forland Endowment	52,347	25,959
Mary C. Freeman Endowment	10,000	20,036
Total	71,704	40,942
Total Donor-Restricted Net Assets	\$ 265,601	\$ 340,681

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, 2023 and 2022 were \$42,841 and \$17,199, 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.

Contributions totaling \$1,121,341 were received from a single donor for the year ended August 31, 2023, which represents 26% of raised revenue which consists of total public support and gross internal special event revenue. Should these contribution levels decrease, the Foundation may be adversely affected.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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, 2023 and 2022, the Foundation granted 309 and 242 wishes, respectively. As of August 31, 2023 and 2022, respectively, there were approximately 413 and 538 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2023 was \$6,383 in cash and \$4,846 in in-kind for a total cost of \$11,229. The average cost of a wish for the year ended August 31, 2022 was \$6,296 in cash and \$3,392 in in-kind for a total cost of \$9,688.

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, 2023. 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, 2023 and 2022 was 309 and 242, respectively.

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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. 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 January 3, 2024, the date at which the financial statements were available to be issued.



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