

# Ronald McDonald House Charities of Richmond, Virginia, Inc.

Financial Statements

December 31, 2022 and 2021



4401 Dominion Boulevard  
Glen Allen, Virginia 23060  
Tel: 804.747.0000  
[www.keitercpa.com](http://www.keitercpa.com)

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Ronald McDonald House Charities of Richmond, Virginia, Inc.  
Richmond, Virginia

### Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Richmond, Virginia, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses 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 the Organization as of December 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Organization'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 the Organization'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.



September 5, 2023  
Glen Allen, Virginia

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Statements of Financial Position  
December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,153,344	\$ 882,197
Contributions receivable	189,050	124,999
Pledges receivable - current	95,000	70,000
Prepaid expenses	<u>2,299</u>	<u>2,299</u>
Total current assets	1,439,693	1,079,495
Property and equipment - net	385,036	367,033
Other assets:		
Pledges receivable - noncurrent, net	135,909	201,872
Investments	2,276,320	3,038,361
Deposit	2,086	2,086
Right-of-use operating lease asset	<u>69,810</u>	<u>-</u>
Total other assets	<u>2,484,125</u>	<u>3,242,319</u>
Total assets	<u>\$ 4,308,854</u>	<u>\$ 4,688,847</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 89,052	\$ 56,431
Operating lease liability	<u>27,402</u>	<u>-</u>
Total current liabilities	116,454	56,431
Long-term liabilities:		
Operating lease liability - less current portion	<u>43,124</u>	<u>-</u>
Total liabilities	<u>159,578</u>	<u>56,431</u>
Net assets:		
Without donor restrictions	2,682,439	2,981,315
With donor restrictions	<u>1,466,837</u>	<u>1,651,101</u>
Total net assets	<u>4,149,276</u>	<u>4,632,416</u>
Total liabilities and net assets	<u>\$ 4,308,854</u>	<u>\$ 4,688,847</u>

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Statements of Activities  
Year Ended December 31, 2022, with Comparative Totals for 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains (losses), and other support:				
Gross revenue from special events	\$ 651,354	\$ -	\$ 651,354	\$ 525,014
Less cost of direct benefits to donors	(143,559)	-	(143,559)	(103,118)
Net revenue from special events	507,795	-	507,795	421,896
Contributions	921,654	109,684	1,031,338	1,329,356
Room donations	5,974	-	5,974	1,130
Employee retention credit (see Note 7)	-	-	-	79,301
In-kind contributions	183,190	-	183,190	148,734
Investment income	45,485	23,631	69,116	161,257
Unrealized and realized (losses) gains on investments - net	(426,503)	(98,778)	(525,281)	146,804
Loss on disposal of property and equipment	(166)	-	(166)	-
Other income	2,734	-	2,734	121
Total revenues, gains (losses), and other support	<u>1,240,163</u>	<u>34,537</u>	<u>1,274,700</u>	<u>2,288,599</u>
Net assets released from restriction	<u>218,801</u>	<u>(218,801)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services:				
House	920,272	-	920,272	772,621
Family room	259,900	-	259,900	249,567
Other program services	143,120	-	143,120	68,496
Supporting services:				
Management and general	131,989	-	131,989	96,832
Fund-raising	302,559	-	302,559	232,753
Total expenses	<u>1,757,840</u>	<u>-</u>	<u>1,757,840</u>	<u>1,420,269</u>
Change in net assets	(298,876)	(184,264)	(483,140)	868,330
Net assets, beginning of year	<u>2,981,315</u>	<u>1,651,101</u>	<u>4,632,416</u>	<u>3,764,086</u>
Net assets, end of year	<u>\$ 2,682,439</u>	<u>\$ 1,466,837</u>	<u>\$ 4,149,276</u>	<u>\$ 4,632,416</u>

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Statement of Activities  
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Gross revenue from special events	\$ 525,014	\$ -	\$ 525,014
Less cost of direct benefits to donors	(103,118)	-	(103,118)
Net revenue from special events	421,896	-	421,896
Contributions	985,484	343,872	1,329,356
Room donations	1,130	-	1,130
Employee retention credit (see Note 7)	79,301	-	79,301
In-kind contributions	148,734	-	148,734
Investment income	142,988	18,269	161,257
Unrealized and realized gains on investments - net	41,571	105,233	146,804
Other income	121	-	121
Total revenues, gains, and other support	1,821,225	467,374	2,288,599
Net assets released from restriction	41,566	(41,566)	-
Expenses:			
Program services:			
House	772,621	-	772,621
Family room	249,567	-	249,567
Other program services	68,496	-	68,496
Supporting services:			
Management and general	96,832	-	96,832
Fund-raising	232,753	-	232,753
Total expenses	1,420,269	-	1,420,269
Change in net assets	442,522	425,808	868,330
Net assets, beginning of year	2,538,793	1,225,293	3,764,086
Net assets, end of year	\$ 2,981,315	\$ 1,651,101	\$ 4,632,416

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Statements of Cash Flows  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (483,140)	\$ 868,330
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	70,459	62,781
Cash collections for capital campaign	(95,000)	(70,000)
Loss on disposal of property and equipment	166	-
Unrealized and realized losses (gains) on investments - net	525,281	(146,804)
Capitalized in-kind contributions	(15,701)	(1,443)
Securities donated	(32,489)	(5,627)
Changes in operating assets and liabilities:		
Contributions receivable	(64,051)	(38,831)
Pledge receivable	40,963	(271,872)
Prepaid expenses	-	(109)
Accounts payable and accrued liabilities	32,621	6,337
Operating lease asset and liability, net	<u>716</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(20,175)</u>	<u>402,762</u>
Cash flows from investing activities:		
Purchases of investments	(1,110,810)	(150,330)
Proceeds from sale and maturities of investments	1,380,059	255,607
Purchases of property and equipment	<u>(72,927)</u>	<u>(59,515)</u>
Net cash provided by investing activities	<u>196,322</u>	<u>45,762</u>
Cash flow from financing activities:		
Cash collections for capital campaign	<u>95,000</u>	<u>70,000</u>
Net cash provided by financing activities	<u>95,000</u>	<u>70,000</u>
Net change in cash and cash equivalents	271,147	518,524
Cash and cash equivalents, beginning of year	<u>882,197</u>	<u>363,673</u>
Cash and cash equivalents, end of year	<u>\$ 1,153,344</u>	<u>\$ 882,197</u>
Supplemental Information:		
Operating right-of-use assets obtained in exchange for lease liabilities	<u>\$ 97,319</u>	<u>\$ -</u>

See accompanying notes to financial statements.



**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Statements of Functional Expenses  
Year Ended December 31, 2022, with Comparative Totals for 2021

	2022					2021	
	Program Services			Supporting Services		Total Expenses	Total Expenses
	House	Family Room	Other Program Services	Management and General	Fund-raising		
Personnel	\$ 434,196	\$ 186,640	\$ 105,135	\$ 88,005	\$ 170,129	\$ 984,105	\$ 813,275
Advertising	2,778	356	296	57	3,147	6,634	16,199
Household and administrative	193,391	34,183	29,656	9,526	18,416	285,172	228,331
Repairs and maintenance	23,231	133	75	63	121	23,623	14,903
Depreciation	70,459	-	-	-	-	70,459	62,781
Professional services	-	-	-	27,051	13,165	40,216	33,323
Utilities	19,016	-	-	-	-	19,016	18,604
Contractual services	25,348	25,348	-	-	80,483	131,179	107,384
Insurance	6,650	2,858	1,610	1,348	2,606	15,072	14,369
Household supplies	103,139	-	-	-	-	103,139	80,782
Travel and conference	22,733	9,771	5,504	4,607	8,907	51,522	9,525
Telephone	6,708	-	-	-	-	6,708	6,886
Miscellaneous	9,257	611	844	1,332	5,585	17,629	12,881
Volunteer	3,366	-	-	-	-	3,366	1,026
<b>Total expenses</b>	<b>\$ 920,272</b>	<b>\$ 259,900</b>	<b>\$ 143,120</b>	<b>\$ 131,989</b>	<b>\$ 302,559</b>	<b>\$ 1,757,840</b>	<b>\$ 1,420,269</b>

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Statement of Functional Expenses  
Year Ended December 31, 2021

	2021					
	Program Services			Supporting Services		
	House	Family Room	Other Program Services	Management and General	Fund-raising	Total Expenses
Personnel	\$ 403,782	\$ 167,511	\$ 52,477	\$ 53,311	\$ 136,194	\$ 813,275
Advertising	9,554	-	-	-	6,645	16,199
Household and administrative expenses	128,012	65,180	14,096	5,920	15,123	228,331
Repairs and maintenance	14,879	10	3	3	8	14,903
Depreciation	62,781	-	-	-	-	62,781
Professional services	-	-	-	33,323	-	33,323
Utilities	18,604	-	-	-	-	18,604
Contractual services	26,846	10,738	-	-	69,800	107,384
Insurance	7,135	2,959	927	942	2,406	14,369
Household supplies	80,782	-	-	-	-	80,782
Travel and conference	4,729	1,962	615	624	1,595	9,525
Telephone	6,886	-	-	-	-	6,886
Miscellaneous	7,605	1,207	378	2,709	982	12,881
Volunteer	1,026	-	-	-	-	1,026
<b>Total expenses</b>	<u>\$ 772,621</u>	<u>\$ 249,567</u>	<u>\$ 68,496</u>	<u>\$ 96,832</u>	<u>\$ 232,753</u>	<u>\$ 1,420,269</u>

See accompanying notes to financial statements.

## RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

### Notes to Financial Statements

#### 1. Organization and Nature of Activities:

Ronald McDonald House Charities of Richmond, Virginia, Inc. (the "Organization") was incorporated as a nonprofit organization in 1978 for charitable purposes to provide temporary housing at the Richmond, Virginia Ronald McDonald House and other assistance to families of children with serious illnesses or other health issues.

#### 2. Summary of Significant Accounting Policies:

**Basis of Accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 and assumptions.

**Cash and Cash Equivalents:** For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Investments:** Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Dividends and interest are recorded as revenue when earned. Gains and losses on sales of securities are calculated using the specific identification method and recorded on the trade date.

**Pledges and Contributions Receivable:** Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Conditional promises to give cash or other assets are not recognized until the conditions which they depend upon have been met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. An allowance is provided for amounts estimated to be uncollectible. Management determined there was no allowance required at December 31, 2022 and 2021.

Pledges and contributions receivable that are due in the next year are recorded at their net realizable value. When required, pledges receivable that are due in subsequent years are reported at the estimated present value.

## RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Property and Equipment:** Property and equipment are recorded at cost or, if donated, at fair market value at the date of gift. Depreciation is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Buildings and improvements	25 – 39 years
Furniture, fixtures, and equipment	3 – 15 years

**Impairment of Long-Lived Assets:** The Organization reviews the carrying value of its long-lived assets whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recovery is evaluated by measuring the carrying value of the assets against the associated estimated undiscounted cash flows. The Organization did not record any impairment charge for 2022 or 2021.

**Advertising:** Advertising costs are expensed as incurred and totaled \$6,634 for 2022 and \$16,199 for 2021.

**Contributed Materials and Services:** In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The Organization adopted the standard during 2022, under the retrospective transition method. The adoption of the ASU did not have a material impact on the Organization's financial statements.

The Organization receives non-monetary contributions in the course of conducting its programs, including volunteer services. To qualify as in-kind contributions, contributed services must either (a) create or enhance a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed. The Organization received in-kind contributions of \$183,190 in 2022 and \$148,734 in 2021, consisting mostly of supplies for its programs. The supplies were valued at standard market values and have been recognized in the accompanying statements of activities.

**Income Tax:** The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia.

## RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Income Tax Uncertainties:** The Organization follows the Financial Accounting Standards Board (“FASB”) guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Organization’s financial statements. In accordance with the guidance, the Organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities’ full knowledge of the facts and the Organization’s position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Organization’s analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Organization has completed its assessment and determined that there were no tax positions which would require recognition under the guidance. The Organization is not currently under audit by any tax jurisdiction.

**Leases:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the statement of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization’s operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

At January 1, 2022, the Organization adopted the provisions of ASC 842, using the modified retrospective adoption method. In addition, the Organization utilized the simplified transition option available in ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption of ASC 842, the Organization elected the transitional package of practical expedients that allow an entity to not reassess (1) whether any expired or existing contracts contain a lease, (2) the lease classification of any expired or existing lease, and (3) initial direct costs for any existing lease, and the use of hindsight in determining the lease term. In addition, the Organization elected to not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less, and to account for lease and non-lease components as a single lease component.

## RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Leases, Continued:** The adoption of ASC 842 resulted in the recognition of an operating lease right-of-use asset and an operating lease liability of \$97,319 as of January 1, 2022. The standard did not materially impact the Organization's operations and cash flows.

**Net Assets:** The Organization classifies its net assets into two categories: net assets with donor restrictions and net assets without donor restrictions. The Organization reports amounts separately as follows.

**Net assets without donor restrictions** – Net assets currently available at the discretion of the Organization's Board of Directors for use in the Organization's operations and those resources invested in property or equipment.

**Net assets with donor restrictions** – Net assets resulting from support and revenue whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those donor-imposed stipulations, or are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

**Expense Allocation Methodology:** The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel and other expenses are allocated based on time and effort of identified employees. The Organization's website and direct mail marketing campaign are allocated amongst program and fundraising expenses based on estimated use of their intended users. Other expenses are allocated based on management's estimate of time and effort of identified employees involved in those functions.

**Concentration of Credit Risk:** Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, receivables, and investments. The Organization maintains its cash in multiple financial institutions, one of which contains balances that periodically exceed federally insured limits. The Organization places its cash and cash equivalents and investments with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk. Receivables are pledged by two individuals. The Organization believes their credit risk related to these receivables is limited due to the nature of the donors. Investments consist primarily of marketable equity securities, certificates of deposit, mutual funds, and corporate obligations which are not concentrated in any one company or industry. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term would affect the investment balances and the amount reported in the financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Subsequent Events:** Management has evaluated subsequent events through September 5, 2023, the date the financial statements were available to be issued and, except as described below, has determined that there are no items to be disclosed.

In 2023, the Organization finalized an agreement with VCU Health System Authority for the use of a space that will be used as the Organization's new In-Hospital House. The lease term is 20 years, beginning 30 days after the opening of the In-Hospital House, which opened on July 18, 2023. The lease includes automatic five-year renewal periods unless terminated by either party. The Organization will reimburse the Children's Hospital Foundation for costs of renovation of the space in 5 equal annual payments beginning December 1, 2023, but there are no lease payments due under the new lease agreement.

**3. Investments:**

Investments are carried at fair value. The aggregate carrying amounts of investments by major type are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Corporate debt securities	\$ 67,814	\$ 72,113
Equity securities	66,673	75,082
Certificates of deposit	200,830	-
Mutual funds	<u>1,941,003</u>	<u>2,891,166</u>
	<u>\$ 2,276,320</u>	<u>\$ 3,038,361</u>

**4. Pledges Receivable:**

Pledges receivable includes capital pledges for the Organization's In-Hospital House capital campaign.

Pledges receivable as of December 31 are expected to be received as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 95,000	\$ 70,000
Receivable in two to three years	<u>140,000</u>	<u>210,000</u>
Total pledges receivable	235,000	280,000
Less discount of 2%	<u>(4,091)</u>	<u>(8,128)</u>
	<u>\$ 230,909</u>	<u>\$ 271,872</u>

## RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

### Notes to Financial Statements, Continued

#### 5. Property and Equipment:

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

	<u>2022</u>	<u>2021</u>
Land	\$ 30,000	\$ 30,000
Buildings and improvements	1,015,534	996,229
Furniture and fixtures	278,063	311,356
Equipment	155,618	153,893
Construction in progress	<u>54,596</u>	<u>29,032</u>
	1,533,811	1,520,510
Less accumulated depreciation	<u>(1,148,775)</u>	<u>(1,153,477)</u>
	<u>\$ 385,036</u>	<u>\$ 367,033</u>

Depreciation expense was \$70,459 for 2022 and \$62,781 for 2021.

#### 6. Fair Value Measurements:

The Organization has adopted FASB guidance on fair value measurements. The provisions of the guidance provide a framework for measuring fair value under generally accepted accounting principles and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
  
- Level 2      Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
  
- Level 3      Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.



**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Notes to Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

**Pledges receivable** – Assets are valued at face value of amounts receivable from donors within one year. Assets are valued at the present value of cash flows receivable from donors in a time period greater than one year using a discount rate of 2%.

**Equity securities** – Common and preferred stock are valued at the closing price reported on a national exchange.

**Certificates of deposit** – Certificates of deposit are valued at the original deposit amount plus accrued interest in accordance with terms of the financial instrument.

**Corporate debt securities** – Commercial notes and bonds are valued at the closing price on a national exchange.

**Mutual funds** – Funds invested in mutual funds are valued at the closing price reported on a national exchange.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments measured at fair value:

	Investments at Fair Value as of			Total
	December 31, 2022:			
	Level 1	Level 2	Level 3	
Pledge receivable	\$ -	\$ -	\$ 230,909	\$ 230,909
Investments:				
Corporate debt securities	-	67,814	-	67,814
Equity securities	66,673	-	-	66,673
Certificates of deposit	-	200,830	-	200,830
Mutual funds	1,941,003	-	-	1,941,003
<b>Total</b>	<b>\$ 2,007,676</b>	<b>\$ 268,644</b>	<b>\$ 230,909</b>	<b>\$ 2,507,229</b>

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Notes to Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

	Investments at Fair Value as of December 31, 2021:			
	Level 1	Level 2	Level 3	Total
Pledge receivable	\$ -	\$ -	\$ 271,872	\$ 271,872
Investments:				
Corporate debt securities	-	72,113	-	72,113
Equity securities	75,082	-	-	75,082
Mutual funds	2,891,166	-	-	2,891,166
Total	<u>\$ 2,966,248</u>	<u>\$ 72,113</u>	<u>\$ 271,872</u>	<u>\$ 3,310,233</u>

There were \$29,037 and \$271,872 in Level 3 additions during 2022 and 2021, respectively, related to current and non-current pledges receivables.

**7. Employee Retention Credit (“ERC”):**

As part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), employers who had a partial or full suspension of operations related to the COVID-19 Pandemic were eligible for a refundable tax credit against certain employment taxes equal to a percentage of the qualified wages an employer paid between March 12, 2020 and September 30, 2020. Management believes that accounting treatment under ASC 958-605, Revenue Recognition, is the most appropriate treatment for the ERC. Under ASC 958-605, an entity can recognize the ERC income in the period that it determines the conditions for recognition have been substantially met, which requires an assessment to determine whether the process for filing the credit is more than or only an administrative barrier to receiving the credit. Once an entity has determined that conditions have been met, it can recognize the ERC as income in that period.

During the year ended December 31, 2021, the Organization applied for the Employee Retention Credit (ERC) from the Internal Revenue Service. The Organization recognized \$79,301 of grant revenue related to performance requirements being met in compliance with the program during the year ended December 31, 2021.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization’s financial position.

## RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

### Notes to Financial Statements, Continued

#### 8. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for time or purpose or because the governing board has set aside the funds for a specific purpose. There are no board designated net assets as of December 31, 2022 or 2021.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 1,153,344	\$ 882,197
Contributions receivable	189,050	124,999
Pledge receivable	230,909	271,872
Investments	<u>2,276,320</u>	<u>3,038,361</u>
 Total financial assets	 3,849,623	 4,317,429
 Less those unavailable for general expenditure within one year due to:		
Donor imposed restrictions, where funds can only be used to support certain activities or programs	 <u>1,466,837</u>	 <u>1,651,101</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 2,382,786</u>	 <u>\$ 2,666,328</u>

The Organization has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations come due.

#### 9. Endowment Funds:

The Organization's endowment consists of two individual funds. The funds are donor-restricted endowment funds and were established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the Virginia legislature in 2008. The law gives guidance for investments and spending practices, giving consideration of donor-intent and the Organization's overall resources and charitable purpose. Based on management's interpretation of law and in compliance with donor-intent, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment. Amounts are periodically withdrawn when appropriated for expenditure.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Notes to Financial Statements, Continued

**9. Endowment Funds, Continued:**

A summary of the activity in endowment funds for the years ended December 31, 2022 and 2021 is as follows:

	<u>Net Assets with Donor Restrictions</u>
Endowment net assets - January 1, 2021	\$ 676,611
Investment return:	
Investment income	17,275
Net realized and unrealized gains	106,972
Amounts appropriated for expenditure	<u>(14,099)</u>
Endowment net assets - December 31, 2021	786,759
Investment return:	
Investment income	18,502
Net realized and unrealized losses	(96,262)
Amounts appropriated for expenditure	<u>(7,443)</u>
Endowment net assets - December 31, 2022	<u>\$ 701,556</u>

At December 31, 2022 and 2021, the fair value of assets was above the level required to be held as net assets with donor restrictions. The minimum amounts required to be held in the endowment funds as of December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Pickard fund	\$ 15,000	\$ 15,000
Kroc fund	<u>518,750</u>	<u>518,750</u>
	<u>\$ 533,750</u>	<u>\$ 533,750</u>

**Endowment Investing and Spending Policies:** The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide long-term capital appreciation and total return. The Organization utilizes diversified investment classes that provide the opportunity to achieve the return objective without exposing the funds to unnecessary risk.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Notes to Financial Statements, Continued

**10. Net Assets with Donor Restrictions:**

Net assets with donor restrictions consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Operator's fund	\$ 400,550	\$ 547,937
Pickard fund	15,000	15,000
Kroc fund	686,556	771,759
Capital campaign for In-Hospital House	<u>364,731</u>	<u>316,405</u>
	<u>\$ 1,466,837</u>	<u>\$ 1,651,101</u>

Net assets within the Operator's fund have been provided by various McDonald restaurant owners/operators. The Organization must obtain approval from the owners/operators for expenditure of these funds. The Pickard and Kroc funds are endowment funds and are described in Note 9.

Net assets with donor restrictions released from restriction amounting to \$218,801 for 2022 and \$41,566 for 2021 consisted of amounts appropriated for expenditure from endowment funds and funds used for restricted purposes.

**11. Retirement Plan:**

The Organization maintains a 403(b) plan for all employees who have met the applicable eligibility requirements and elect to participate. Employees are eligible to receive employer matching contributions upon completion of six months of full-time service. The Organization makes matching contributions, subject to service requirements, for participants in an amount equal to 100 percent of the first 4 percent of eligible compensation contributed to the plan. Both employee and employer contributions are subject to Internal Revenue Service maximum limits. The total expenses recorded for the Organization's match was \$18,834 for 2022 and \$18,653 for 2021.

**RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.**

Notes to Financial Statements, Continued

**12. Commitments:**

The Organization has an office space lease agreement with monthly payments that range from \$2,299 to \$2,439, which expires on June 30, 2025. The rental expense related to the office lease amounted to \$28,309 and \$26,278 during 2022 and 2021, respectively. Cash paid under operating leases was \$27,592 and \$26,278 during 2022 and 2021, respectively.

Future minimum lease payments under operating lease obligations are as follows:

Year Ending	Operating Leases
2023	\$ 28,006
2024	28,846
2025	14,636
Total lease payments	71,488
Less amount representing interest	(962)
Total operating lease liabilities	<u>\$ 70,526</u>

Generally, the Organization has elected to use the risk-free rate as the rate to measure the right-of-use asset and lease liability. Lease with an initial term of 12 months or less are not recorded on the statement of financial position.

The weighted average remaining lease term and discount rate for operating leases was 2.5 years and 1.04%, respectively.

**13. Related Party Transactions:**

During 2022 and 2021, the Organization received funding from its national organization to support the Family Room program, amounting to \$24,971 and \$155,852, respectively.