

Ronald McDonald House Charities of Richmond, Virginia, Inc.

Financial Statements

December 31, 2023 and 2022



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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, 2023 and 2022, 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, 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.

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 3, 2024
Glen Allen, Virginia

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Financial Position
December 31, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,370,980	\$ 1,153,344
Contributions receivable	118,634	189,050
Pledges receivable - current	70,000	95,000
Prepaid expenses	<u>2,188</u>	<u>2,299</u>
Total current assets	1,561,802	1,439,693
Property and equipment - net	1,974,808	385,036
Other assets:		
Pledges receivable - noncurrent, net	66,667	135,909
Investments	2,752,947	2,276,320
Deposit	2,086	2,086
Right-of-use operating lease asset, net	<u>42,105</u>	<u>69,810</u>
Total other assets	<u>2,863,805</u>	<u>2,484,125</u>
Total assets	<u>\$ 6,400,415</u>	<u>\$ 4,308,854</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 92,856	\$ 89,052
In-House Hospital payable - current portion	302,860	-
Operating lease liability	<u>28,846</u>	<u>27,402</u>
Total current liabilities	424,562	116,454
Long-term liabilities:		
In-House Hospital payable - long-term	908,579	-
Operating lease liability - less current portion	<u>14,278</u>	<u>43,124</u>
Total liabilities	<u>1,347,419</u>	<u>159,578</u>
Net assets:		
Without donor restrictions	3,847,921	2,682,439
With donor restrictions	<u>1,205,075</u>	<u>1,466,837</u>
Total net assets	<u>5,052,996</u>	<u>4,149,276</u>
Total liabilities and net assets	<u>\$ 6,400,415</u>	<u>\$ 4,308,854</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Activities
Year Ended December 31, 2023, with Comparative Totals for 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains (losses), and other support:				
Gross revenue from special events	\$ 607,399	\$ -	\$ 607,399	\$ 651,354
Less cost of direct benefits to donors	(149,003)	-	(149,003)	(143,559)
Net revenue from special events	458,396	-	458,396	507,795
Contributions	1,223,565	582,279	1,805,844	1,031,338
Room donations	4,471	-	4,471	5,974
In-kind contributions	1,089,265	4,800	1,094,065	183,190
Investment income	73,285	41,562	114,847	69,116
Unrealized and realized gains (losses) on investments - net	256,605	76,967	333,572	(525,281)
Loss on disposal of property and equipment	(6,420)	-	(6,420)	(166)
Other income	4,025	-	4,025	2,734
Total revenues, gains (losses), and other support	<u>3,103,192</u>	<u>705,608</u>	<u>3,808,800</u>	<u>1,274,700</u>
Net assets released from restriction	<u>967,370</u>	<u>(967,370)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services:				
House	1,013,601	-	1,013,601	920,272
Children's Hospital of Richmond	1,187,122	-	1,187,122	-
Family room and other program services	220,582	-	220,582	403,020
Supporting services:				
Management and general	169,203	-	169,203	131,989
Fund-raising	314,572	-	314,572	302,559
Total expenses	<u>2,905,080</u>	<u>-</u>	<u>2,905,080</u>	<u>1,757,840</u>
Change in net assets	1,165,482	(261,762)	903,720	(483,140)
Net assets, beginning of year	<u>2,682,439</u>	<u>1,466,837</u>	<u>4,149,276</u>	<u>4,632,416</u>
Net assets, end of year	<u>\$ 3,847,921</u>	<u>\$ 1,205,075</u>	<u>\$ 5,052,996</u>	<u>\$ 4,149,276</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statement of Activities
Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Gross revenue from special events	\$ 651,354	\$ -	\$ 651,354
Less cost of direct benefits to donors	(143,559)	-	(143,559)
Net revenue from special events	507,795	-	507,795
Contributions	921,654	109,684	1,031,338
Room donations	5,974	-	5,974
In-kind contributions	183,190	-	183,190
Investment income	45,485	23,631	69,116
Unrealized and realized losses on investments - net	(426,503)	(98,778)	(525,281)
Loss on disposal of property and equipment	(166)	-	(166)
Other income	2,734	-	2,734
Total revenues, gains, and other support	<u>1,240,163</u>	<u>34,537</u>	<u>1,274,700</u>
Net assets released from restriction	<u>218,801</u>	<u>(218,801)</u>	<u>-</u>
Expenses:			
Program services:			
House	920,272	-	920,272
Family room and other program services	403,020	-	403,020
Supporting services:			
Management and general	131,989	-	131,989
Fund-raising	302,559	-	302,559
Total expenses	<u>1,757,840</u>	<u>-</u>	<u>1,757,840</u>
Change in net assets	(298,876)	(184,264)	(483,140)
Net assets, beginning of year	<u>2,981,315</u>	<u>1,651,101</u>	<u>4,632,416</u>
Net assets, end of year	<u>\$ 2,682,439</u>	<u>\$ 1,466,837</u>	<u>\$ 4,149,276</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 903,720	\$ (483,140)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	107,477	70,459
Cash collections for capital campaign	(95,000)	(95,000)
Loss on disposal of property and equipment	6,420	166
Unrealized and realized (gains) losses on investments - net	(333,572)	525,281
Capitalized in-kind contributions	(99,611)	(15,701)
Securities donated	(30,596)	(32,489)
Changes in operating assets and liabilities:		
Contributions receivable	70,416	(64,051)
Pledge receivable	94,242	40,963
Prepaid expenses	111	-
Accounts payable and accrued liabilities	3,804	32,621
Operating lease asset and liability, net	<u>303</u>	<u>716</u>
Net cash provided by (used in) operating activities	<u>627,714</u>	<u>(20,175)</u>
Cash flows from investing activities:		
Purchases of investments	(1,877,987)	(1,110,810)
Proceeds from sale and maturities of investments	1,765,528	1,380,059
Purchases of property and equipment	<u>(89,759)</u>	<u>(72,927)</u>
Net cash (used in) provided by investing activities	<u>(202,218)</u>	<u>196,322</u>
Cash flow from financing activities:		
Payments on In-House Hospital payable	(302,860)	-
Cash collections for capital campaign	<u>95,000</u>	<u>95,000</u>
Net cash (used in) provided by financing activities	<u>(207,860)</u>	<u>95,000</u>
Net change in cash and cash equivalents	217,636	271,147
Cash and cash equivalents, beginning of year	<u>1,153,344</u>	<u>882,197</u>
Cash and cash equivalents, end of year	<u>\$ 1,370,980</u>	<u>\$ 1,153,344</u>
Supplemental Information:		
Operating right-of-use assets obtained in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 97,319</u>
Issuance of long-term liability in exchange for property and equipment	<u>\$ 1,514,299</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, 2023, with Comparative Totals for 2022

	2023					2022	
	Program Services			Supporting Services		Total Expenses	Total Expenses
	House	Children's Hospital of Richmond	Family Room & Other Program Services	Management and General	Fund-raising		
Personnel	\$ 438,615	\$ 277,149	\$ 130,663	\$ 124,482	\$ 216,768	\$1,187,677	\$ 984,105
Advertising	3,090	2,289	625	366	4,634	11,004	6,634
Household and administrative	159,043	76,859	73,570	8,545	17,076	335,093	285,172
Rent	10,005	751,264	4,050	3,130	6,542	774,991	-
Repairs and maintenance	44,302	-	-	-	-	44,302	23,623
Depreciation	71,271	36,206	-	-	-	107,477	70,459
Professional services	3,259	2,682	1,319	24,679	14,412	46,351	40,216
Utilities	20,664	-	-	-	-	20,664	19,016
Contractual services	77,332	-	-	-	38,417	115,749	131,179
Insurance	5,774	4,752	2,338	1,806	3,775	18,445	15,072
Household supplies	129,261	18,792	-	-	-	148,053	103,139
Travel and conference	17,816	14,663	7,213	5,573	11,649	56,914	51,522
Telephone	15,667	-	-	-	-	15,667	6,708
Miscellaneous	15,010	1,635	804	622	1,299	19,370	17,629
Volunteer	2,492	831	-	-	-	3,323	3,366
Total expenses	\$ 1,013,601	\$ 1,187,122	\$ 220,582	\$ 169,203	\$ 314,572	\$2,905,080	\$ 1,757,840

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services		Supporting Services		Total Expenses
	House	Family Room & Other Program Services	Management and General	Fund-raising	
Personnel	\$ 434,196	\$ 291,775	\$ 88,005	\$ 170,129	\$ 984,105
Advertising	2,778	652	57	3,147	6,634
Household and administrative	193,391	63,839	9,526	18,416	285,172
Repairs and maintenance	23,231	208	63	121	23,623
Depreciation	70,459	-	-	-	70,459
Professional services	-	-	27,051	13,165	40,216
Utilities	19,016	-	-	-	19,016
Contractual services	25,348	25,348	-	80,483	131,179
Insurance	6,650	4,468	1,348	2,606	15,072
Household supplies	103,139	-	-	-	103,139
Travel and conference	22,733	15,275	4,607	8,907	51,522
Telephone	6,708	-	-	-	6,708
Miscellaneous	9,257	1,455	1,332	5,585	17,629
Volunteer	3,366	-	-	-	3,366
Total expenses	\$ 920,272	\$ 403,020	\$ 131,989	\$ 302,559	\$ 1,757,840

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, 2023 and 2022.

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	20 – 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 2023 or 2022.

Advertising: Advertising costs are expensed as incurred and totaled \$11,004 for 2023 and \$6,634 for 2022.

Contributed Non-Financial Assets: The Organization receives non-financial asset 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 recognizes in-kind contribution revenue and a corresponding expense in an amount approximating fair value at the time of donation. Under certain circumstances, in-kind contributions are capitalized into property and equipment. In 2023, in-kind contributions of \$743,030 represent the estimated fair market value of in-kind rent, \$99,611 represent the estimated fair market value of furniture and fixtures installed in its new in-hospital house, and \$251,424 represent the fair market value of supplies used by the Organization in its programs at no cost. In 2022, in-kind contributions of \$183,190 represent the fair market value of supplies used by the Organization in its programs at no cost.

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: Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization’s operations. 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. The Organization does not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less, and accounts for lease and non-lease components as a single lease component.

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.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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 one individual at December 31, 2023 and by two individuals at December 31, 2022. The Organization believes the 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.

Reclassifications: Certain prior year balances have been reclassified to confirm with current year presentation.

Subsequent Events: In July 2024, the Organization entered into a purchase agreement to acquire real estate, which the Organization plans to utilize to build a new house to operate its programs out of. The purchase price is \$4,000,000, which the Organization is partially funding with a new \$2,600,000 loan from a bank.

Management has evaluated subsequent events through September 3, 2024, the date the financial statements were available to be issued and, except as described above, has determined that there are no other items to be disclosed.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

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>2023</u>	<u>2022</u>
Corporate debt securities	\$ 68,207	\$ 67,814
Equity securities	24,940	66,673
Certificates of deposit	401,423	200,830
Mutual funds	<u>2,258,377</u>	<u>1,941,003</u>
	<u>\$ 2,752,947</u>	<u>\$ 2,276,320</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>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 70,000	\$ 95,000
Receivable in two to three years	<u>70,000</u>	<u>140,000</u>
Total pledges receivable	140,000	235,000
Less discounts of 5% and 2% at December 31, 2023 and 2022, respectively.	<u>(3,333)</u>	<u>(4,091)</u>
	<u>\$ 136,667</u>	<u>\$ 230,909</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>2023</u>	<u>2022</u>
Land	\$ 30,000	\$ 30,000
Buildings and improvements	1,017,117	1,015,534
Leasehold improvements	1,660,078	-
Furniture and fixtures	287,017	278,063
Equipment	163,308	155,618
Construction in progress	-	54,596
	<u>3,157,520</u>	<u>1,533,811</u>
Less accumulated depreciation	<u>(1,182,712)</u>	<u>(1,148,775)</u>
	<u>\$ 1,974,808</u>	<u>\$ 385,036</u>

Depreciation expense was \$107,477 for 2023 and \$70,459 for 2022.

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 5% at December 31, 2023 and 2% at December 31, 2022.

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, 2023:			
	Level 1	Level 2	Level 3	
Pledge receivable	\$ -	\$ -	\$ 136,667	\$ 136,667
Investments:				
Corporate debt securities	-	68,207	-	68,207
Equity securities	24,940	-	-	24,940
Certificates of deposit	-	401,423	-	401,423
Mutual funds	<u>2,258,377</u>	<u>-</u>	<u>-</u>	<u>2,258,377</u>
Total	<u>\$ 2,283,317</u>	<u>\$ 469,630</u>	<u>\$ 136,667</u>	<u>\$ 2,889,614</u>

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, 2022:			
	Level 1	Level 2	Level 3	Total
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
 Total	 <u>\$ 2,007,676</u>	 <u>\$ 268,644</u>	 <u>\$ 230,909</u>	 <u>\$ 2,507,229</u>

7. In-Hospital House Rental Agreement:

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 for \$1 per year. 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 estimated market value of the in-kind rent is \$743,030, which is included in the in-kind contributions and program expense on the 2023 statement of activities. The agreement includes use restrictions on the space as a Ronald McDonald House, and other limitations in certain circumstances, as detailed out in the agreement.

The Organization will reimburse the Children's Hospital Foundation for costs of renovation of the space in 5 equal non-interest bearing annual payments beginning December 1, 2023. The total amount due under the agreement is \$1,514,299. The payments over the term of the agreement are as follows:

Year	Amount
2024	\$ 302,860
2025	302,860
2026	302,860
2027	302,859
	<u>\$1,211,439</u>

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, 2023 and 2022, 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, 2023 or 2022.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 1,370,980	\$ 1,153,344
Contributions receivable	118,634	189,050
Pledge receivable	136,667	230,909
Investments	<u>2,752,947</u>	<u>2,276,320</u>
Total financial assets	4,379,228	3,849,623
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>1,205,075</u>	<u>1,466,837</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$3,174,153</u>	<u>\$2,382,786</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, 2023 and 2022 is as follows:

	<u>Net Assets with Donor Restrictions</u>
Endowment net assets - January 1, 2022	\$ 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	701,556
Investment return:	
Investment income	22,438
Net realized and unrealized gains	77,497
Amounts appropriated for expenditure	<u>(15,560)</u>
Endowment net assets - December 31, 2023	<u><u>\$ 785,931</u></u>

At December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Pickard fund	\$ 15,000	\$ 15,000
Kroc fund	<u>518,750</u>	<u>518,750</u>
	<u><u>\$ 533,750</u></u>	<u><u>\$ 533,750</u></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>2023</u>	<u>2022</u>
Operator's fund	\$ 419,144	\$ 400,550
Pickard fund	15,000	15,000
Kroc fund	770,931	686,556
Capital campaign for In-Hospital House	<u>-</u>	<u>364,731</u>
	<u>\$ 1,205,075</u>	<u>\$ 1,466,837</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 \$967,370 for 2023 and \$218,801 for 2022, and consist 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 \$25,968 for 2023 and \$18,834 for 2022.

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 during 2023 and 2022. Cash paid under operating leases was \$28,006 and \$27,592 during 2023 and 2022, respectively.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

12. Commitments, Continued:

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

Year Ending	Operating Leases
2024	\$ 28,846
2025	14,636
Total lease payments	43,482
Less amount representing interest	(358)
Total operating lease liabilities	<u>\$ 43,124</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 1.5 years and 1.04%, respectively.

13. Related Party Transactions:

During 2023 and 2022, the Organization received funding from its national organization to support various programs, amounting to \$275,797 and \$24,971, respectively.