Ronald McDonald House Charities of Central and Northern Arizona

Years Ended December 31, 2022 and 2021

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Ronald McDonald House Charities of Central and Northern Arizona

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Independent Auditors' Report

Board of Directors and Management
Ronald McDonald House Charities of Central and Northern Arizona
Phoenix, Arizona

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central and Northern Arizona, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Central and Northern Arizona 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 of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Ronald McDonald House Charities of Central and Northern Arizona 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 Ronald McDonald House Charities of Central and Northern Arizona's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 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 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 Ronald McDonald House Charities of Central and Northern Arizona'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 Ronald McDonald House Charities of Central and Northern Arizona'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.

BeachFleischman PLLC

Phoenix, Arizona
May 23, 2023

Ronald McDonald House Charities of Central and Northern Arizona

Statements of Financial Position

December 31, 2022 and 2021

Assets

	2022	2021
Current assets:		
Cash and cash equivalents	$ 2,615,114	$ 2,224,261
Accounts receivable, net	123,693	81,353
Investments	6,071,540	5,660,783
Promises to give	260,077	186,351
Prepaid expenses	38,430	38,083
Total current assets	9,108,854	8,190,831
Property and equipment, net	7,704,900	8,270,691
Beneficial interest in funds held by others	1,045,326	1,220,580
Endowments whose use is limited	602,495	698,155
Beneficial use of land	226,744	222,506
Other assets	3,350	3,350
Total assets	$ 18,691,669	$ 18,606,113

Liabilities and Net Assets

	2022	2021
Current liabilities:		
Accounts payable	$ 81,173	$ 149,958
Accrued expenses	47,043	55,547
Total current liabilities	128,216	205,505
Total liabilities	128,216	205,505
Contingencies		
Net assets:		
Without donor restrictions	16,588,243	17,302,476
With donor restrictions	1,975,210	1,098,132
Total net assets	18,563,453	18,400,608
Total liabilities and net assets	$ 18,691,669	$ 18,606,113

See notes to financial statements.

Ronald McDonald House Charities of Central and Northern Arizona

Statement of Activities

Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions	$ 1,991,571	$ 1,002,173	$ 2,993,744
Special events	869,062	-	869,062
Grants	1,000	-	1,000
Third-party reimbursements	559,979	-	559,979
In-kind contributions	217,309	-	217,309
Other income and support	19,749	40,481	60,230
Net assets released from restrictions	92,348	(92,348)	-
Total revenues and other support	3,751,018	950,306	4,701,324
Expenses:			
Program services	2,551,362	-	2,551,362
Management and general	356,301	-	356,301
Fundraising	747,710	-	747,710
Cost of direct benefits to donors	152,818	-	152,818
Total expenses	3,808,191	-	3,808,191
Change in net assets from operations	(57,173)	950,306	893,133
Nonoperating activities:			
Investment loss, net	(657,060)	(73,228)	(730,288)
Total nonoperating activities	(657,060)	(73,228)	(730,288)
Change in net assets	(714,233)	877,078	162,845
Net assets, beginning	17,302,476	1,098,132	18,400,608
Net assets, ending	$ 16,588,243	$ 1,975,210	$ 18,563,453

Ronald McDonald House Charities of Central and Northern Arizona

Statement of Activities

Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions	$ 2,582,633	$ 275,776	$ 2,858,409
Special events	628,243	-	628,243
Grants	225,000	-	225,000
Third-party reimbursements	218,370	-	218,370
In-kind contributions	390,769	-	390,769
Other income and support	18,199	40,438	58,637
Net assets released from restrictions	148,757	(148,757)	-
Total revenues and other support	4,211,971	167,457	4,379,428
Expenses:			
Program services	2,601,280	-	2,601,280
Management and general	255,057	-	255,057
Fundraising	1,031,003	-	1,031,003
Cost of direct benefits to donors	302,759	-	302,759
Total expenses	4,190,099	-	4,190,099
Change in net assets from operations	21,872	167,457	189,329
Nonoperating activities:			
Investment income, net	891,954	87,332	979,286
Total nonoperating activities	891,954	87,332	979,286
Change in net assets	913,826	254,789	1,168,615
Net assets, beginning	16,388,650	843,343	17,231,993
Net assets, ending	$ 17,302,476	$ 1,098,132	$ 18,400,608

Ronald McDonald House Charities of Central and Northern Arizona

Statement of Functional Expenses

Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Cost of direct benefits to donors	Total expenses
Payroll	$ 740,712	$ 88,859	$ 450,567	$ -	$ 1,280,138
Employee benefits	103,990	12,103	13,218	-	129,311
Payroll taxes	53,623	8,578	33,531	-	95,732
Total salaries and related expenses	898,325	109,540	497,316	-	1,505,181
Advertising	8,083	2,083	20,991	-	31,157
Automobile	2,380	956	-	-	3,336
Cleaning services and supplies	43,640	-	-	-	43,640
Depreciation	577,739	6,375	24,326	-	608,440
Direct mail	51,189	5,205	119,441	-	175,835
Donor recognition	3,549	2,214	2,000	-	7,763
Family support services and supplies	222,798	881	-	-	223,679
Insurance	51,578	289	1,155	-	53,022
Linens and laundry	18,098	-	-	-	18,098
Maintenance and repairs	137,442	2,407	-	-	139,849
Meetings, education and training	3,284	6,695	4,533	-	14,512
Office supplies	20,681	225	472	-	21,378
Other	2,151	91,741	68,649	49,421	211,962
Postage and courier	3,421	1,917	410	-	5,748
Printing and publishing	3,706	173	1,005	-	4,884
Professional fees	224,226	125,532	150	-	349,908
Rent	36,243	-	-	-	36,243
Technology	72,450	-	6,852	27,544	106,846
Telephone	34,212	33	132	-	34,377
Travel, meals and entertainment	3,708	35	278	75,853	79,874
Utilities	132,459	-	-	-	132,459
Total expenses	$ 2,551,362	$ 356,301	$ 747,710	$ 152,818	$ 3,808,191

Ronald McDonald House Charities of Central and Northern Arizona

Statement of Functional Expenses

Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Cost of direct benefits to donors	Total expenses
Payroll	$ 658,867	$ 52,490	$ 413,007	$ -	$ 1,124,364
Employee benefits	104,612	12,596	31,853	-	149,061
Payroll taxes	42,021	12,854	28,171	-	83,046
Total salaries and related expenses	805,500	77,940	473,031	-	1,356,471
Advertising	27,387	1,497	23,594	-	52,478
Automobile	827	-	257	-	1,084
Cleaning services and supplies	34,820	-	-	-	34,820
Depreciation	536,435	9,074	22,587	-	568,096
Direct mail	-	-	384,033	-	384,033
Donor recognition	928	183	7,790	-	8,901
Family support services and supplies	300,470	7	-	-	300,477
Insurance	43,538	16,611	1,714	-	61,863
Linens and laundry	24,000	-	-	-	24,000
Maintenance and repairs	349,869	1,827	28	-	351,724
Meetings, education and training	-	4,595	628	-	5,223
Office supplies	17,838	455	875	-	19,168
Other	4,903	33,415	48,883	190,690	277,891
Postage and courier	2,472	1,388	2,630	-	6,490
Printing and publishing	35	65	3,186	-	3,286
Professional fees	187,761	99,913	27,375	-	315,049
Rent	72,319	349	762	-	73,430
Technology	45,570	3,707	29,199	24,349	102,825
Telephone	43,605	447	1,364	-	45,416
Travel, meals and entertainment	709	773	40	87,720	89,242
Utilities	99,627	360	783	-	100,770
Volunteer resources and recognition	2,667	2,451	2,244	-	7,362
Total expenses	$ 2,601,280	$ 255,057	$ 1,031,003	$ 302,759	$ 4,190,099

Ronald McDonald House Charities of Central and Northern Arizona

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 162,845	$ 1,168,615
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	-	(97,000)
Net realized and unrealized (gains) losses on investments	879,066	(863,080)
Depreciation	608,440	568,096
Donated furniture and fixtures	-	(17,639)
Change in value of beneficial use of land	(4,238)	(4,188)
Changes in operating assets and liabilities:		
Accounts receivable	(42,340)	52,276
Promises to give	(73,726)	(44,540)
Prepaid expenses	(347)	15,407
Other assets	-	(3,350)
Accounts payable	(68,785)	48,885
Accrued expenses	(8,504)	40,649
Net adjustments	1,289,566	(304,484)
Net cash provided by operating activities	1,452,411	864,131
Cash flows from investing activities:		
Purchases of property and equipment	(42,650)	(1,257,125)
Purchases of investments	(2,700,750)	(10,271,750)
Proceeds from redemption of investments	1,681,842	10,118,043
Net cash used in investing activities	(1,061,558)	(1,410,832)
Net increase (decrease) in cash and cash equivalents	390,853	(546,701)
Cash and cash equivalents, beginning	2,224,261	2,770,962
Cash and cash equivalents, ending	$ 2,615,114	$ 2,224,261

1. Description of organization and summary of significant accounting policies:

Organization:

Ronald McDonald House Charities of Central and Northern Arizona (the Organization) is a nonprofit corporation operating in Arizona under a license agreement with RMHC Global. The mission of the Organization is to nurture the health and well-being of children and their families. In Central and Northern Arizona, the primary program is the Ronald McDonald House, which provides a home-away-from-home for families with critically ill children. The Organization's primary funding comes from public contributions. Therefore, the Organization's viability is dependent upon the strength and support of the national and local economies, the strength and support provided to the not-for-profit industry, the Organization's ability to collect on its contracts, and the impact of the COVID-19 pandemic.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make 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, support and gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.

Net assets:

Net assets, support, 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and capital reserves.

- *Net assets with donor restrictions* - Net assets subject to donor-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. 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.

1. Description of organization and summary of significant accounting policies (continued):

Revenues and support:

Contributions are considered non-exchange transactions and are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenues from special events and third-party reimbursements are exchange transactions recognized at a point in time when the event or program service has occurred.

Support arising from donated goods and services is considered a non-exchange transaction and is recognized in the financial statements at its fair value. Donated services are recognized when the services received meet one of the following criteria:

(a) create or enhance nonfinancial assets
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

The Organization recorded contributed services and materials support and related expenses of $217,309 and $390,769, of which $0 and $17,639 was capitalized as property and equipment during the years ended December 31, 2022 and 2021.

Transaction price:

For exchange transactions, the transaction price is the amount of consideration the Organization expects to be entitled to in exchange for transferring goods and services to the customer. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation.

Performance obligations:

Contracts that constitute exchange transactions are considered to contain a single performance obligation if the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

1. Description of organization and summary of significant accounting policies (continued):

Cash and cash equivalents (continued):

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable:

Accounts receivable consists principally of uncollateralized amounts due from third-party payors. The Organization considers amounts over 30 days to be past due. The balance in accounts receivable at January 1, 2021 was $133,629.

Management considers all accounts over 30 days to be past due and provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectibility of specific accounts. Doubtful accounts are periodically reviewed for collectibility and charged against third-party reimbursements revenue when management determines that all collection efforts have been exhausted. At December 31, 2022 and 2021 the balance of allowance for doubtful accounts was $23,608 and $0.

Promises to give:

Unconditional promises to give are recognized as revenues or gains at their estimated net realizable value in the period received and as assets, decreases of liabilities, or expense depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give, which are collectible over future periods, are discounted to their net present value. The Organization records an allowance when promises to give are considered doubtful. Promises to give are considered fully collectible by management at December 31, 2022 and 2021.

Investments:

Investments are carried at fair value. Donated investments are recorded at fair value at the date of gift. Investment gains and losses are included in the changes in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements net of related investment fees. Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. Dividends and interest income are accrued when earned. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and that the market participants are independent, knowledgeable, able and willing to transact an exchange. GAAP also clarifies that the reporting entity's nonperformance risk (credit risk) should be considered in valuing liabilities.

1. Description of organization and summary of significant accounting policies (continued):

Fair value measurements (continued):

GAAP establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value for qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Property, equipment, and depreciation:

Property and equipment are stated at cost except for donated property, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to $1,000 and a useful life of more than one year is capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and building improvements	5 - 30 years
Furniture, fixtures and equipment	5 - 10 years
Vehicles	5 years

Impairment of long-lived assets:

The Organization reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of the long-lived assets is less than the carrying amount, the asset is considered impaired. Impairment losses would be measured as the amount by which the carrying amount exceeds the fair value of the asset. There was no impairment of long-lived assets recognized for 2022 and 2021.

Beneficial interest in funds held by others:

The Organization measures the fair value of agency advised funds held at the Arizona Community Foundation (ACF) using the fair value of the underlying investment assets. Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. The fair value of investment securities is estimated based upon the last trade price on a national securities exchange or in the over-the-counter market. If no trade price is reported for the measurement date, the fair value is estimated based upon the current bid price at the close of business on the measurement date.

1. Description of organization and summary of significant accounting policies (continued):

Beneficial interest in funds held by others (continued):

The ACF, on behalf of the Organization, invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect these investment balances and the amounts reported in the accompanying financial statements. ACF does not have variance power over the funds.

Endowments:

The Organization's endowments consist of funds established under either donor restriction or as designated by the Board of Directors for operating purposes. As required by GAAP, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. The endowments are held and managed at the ACF and are comprised of agency advised funds. Agency advised funds represent assets transferred by the Organization to the ACF to establish an endowment for the benefit of the Ronald McDonald House Charities of Central and Northern Arizona (i.e., the Organization has specified themselves as the beneficiary).

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, insurance, rent, and utilities, which are allocated on a square footage basis, as well as payroll, employee benefits and payroll taxes, which are allocated on the basis of estimates of time and effort.

1. Description of organization and summary of significant accounting policies (continued):

Advertising:

Advertising costs are expensed as incurred.

Income taxes:

The Organization is exempt from income taxes under both Federal Internal Revenue Code Section §501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under Internal Revenue Code Section §509(a)(1). Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which are classified as general and administrative expenses if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to December 31, 2022 through May 23, 2023, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

	2022	2021
Cash and cash equivalents	$ 2,615,114	$ 2,224,261
Accounts receivable, net	123,693	81,353
Promises to give	260,077	186,351
Investments	7,719,361	7,579,518
Total financial assets	10,718,245	10,071,483
Donor-imposed restrictions:		
Endowment funds	(602,495)	(698,155)
Other donor restrictions	(1,145,971)	(177,471)

2. Liquidity and availability of financial assets (continued):

	2022	2021
Board designations:		
Operating reserves	$ (2,455,325)	$ (2,015,580)
Cambridge remodel	(750,000)	(500,000)
Capital reserves	(1,008,145)	(285,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,756,309	$ 6,395,277

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

3. Investments:

	2022	2021
Fixed income securities	$ 1,614,953	$ 693,589
Equities	3,565,185	4,143,618
Exchange traded products	982,677	924,802
	6,162,815	5,762,009
Funds held by Arizona Community Foundation	1,556,546	1,817,509
Total investments at fair value	7,719,361	7,579,518
Less endowments:		
Endowments included in funds held by Arizona Community Foundation	511,220	596,929
Other endowments	91,275	101,226
	602,495	698,155
	$ 7,116,866	$ 6,881,363

Net investment income (loss) for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Interest and dividends	$ 191,448	$ 143,677
Net realized and unrealized gains (losses) on investments	(879,066)	863,080
Investment fees	(42,670)	(27,471)
	$ (730,288)	$ 979,286

4. Fair value measurements:

At December 31, 2022 and 2021, the fair value of assets measured on a recurring basis is as follows:

	2022	2021
Investments at level 1:		
Fixed income securities	$ 1,614,953	$ 693,589
Equities	3,565,185	4,143,618
Exchange traded products	982,677	924,802
Investments measured at level 3:		
Beneficial interest in funds held by others	1,556,546	1,817,509
	$ 7,719,361	$ 7,579,518

The preceding table is based on the following hierarchy of observable independent market inputs and unobservable market assumptions:

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 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets or active markets that the Organization does not have access to;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the level 1 investments above have been measured on a recurring basis using the market approach and priced based on quoted market information.

4. Fair value measurements (continued):

The beneficial interest in funds held at ACF are classified within Level 3 of the fair value hierarchy due to the lack of a market in which the Organization's units of participation in the Foundation's long-term pool (i.e., the beneficial interest) could be bought or sold. The Organization measures the fair value of its beneficial interest using the fair value of the underlying assets.

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable value reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from January 1, 2021 to December 31, 2022 is as follows:

	2022	2021
Beginning balance	$ 1,817,509	$ 1,634,882
Investment activity	(192,663)	248,227
Withdrawals	(68,300)	(65,600)
Ending balance	$ 1,556,546	$ 1,817,509

5. Property and equipment:

	2022	2021
Buildings and building improvements	$ 13,242,339	$ 13,204,943
Furniture, fixtures and equipment	703,527	698,275
Land	636,182	636,182
Vehicles	33,489	33,489
	14,615,537	14,572,889
Less accumulated depreciation	6,910,637	6,302,198
	$ 7,704,900	$ 8,270,691

6. Beneficial use of land:

The Organization is leasing property consisting of land and a building for two of their current facilities. The lease terms are 99 years at an annual rental of $1. The total fair market value of the land and building at inception was approximately $3,588,000. Contribution revenue is recorded annually as donor restricted support to reflect the use restriction of the land to the operation of the Ronald McDonald House over the 99-year lease terms. The Organization recognized $40,481 and $40,438 as donor restricted support for the years ending 2022 and 2021 and recorded the funds as additions to net assets with donor restrictions. Total annual rent expense for the two leases for 2022 and 2021 is $36,250 and is recorded as a release of donor restricted net assets and an addition of net assets without donor restrictions. As of December 31, 2022 and 2021, the balance of donated land use lease is $226,744 and $222,506.

7. Paycheck Protection Program (PPP) loan:

The Organization obtained a $316,400 loan from Johnson Bank under the Paycheck Protection Program (PPP) in April 2020. The Organization obtained a second PPP loan in the amount of $200,000 from First Fidelity Bank in January 2021. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements are met related to wage rates and maintenance of full-time equivalents. The Organization received full forgiveness on both PPP loans in 2021.

The Organization accounted for the PPP loan as a conditional contribution in accordance with ASC 958-605. The contribution is conditional based on the Organization incurring covered expenses, maintaining employee count, and limiting salary reductions. During the years ended December 31, 2022 and 2021, $0 and $200,000 was recognized as grant revenues based on the assessment of conditions that have been met.

The SBA may undertake a review of a loan of any size during the ten-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, eligibility for the program, as well as whether the Organization received the proper loan amount. The timing and outcome of any SBA review is not known.

8. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose:		
Santa's Workshop	$ 19,383	$ 19,383
Adopt-a-Room	174,588	158,088
Roanoke House renovations	102,000	-
Cambridge House renovations	274,677	-
	570,648	177,471
Subject to the passage of time:		
Land lease	226,744	222,506
Nights of Rest	575,323	-
	1,372,715	399,977
Endowments:		
Subject to the Organization's endowment spending policy and appropriation:		
Restricted by donors for:		
Operating purposes	511,221	596,930
Maruska Family Fund	91,274	101,225
	602,495	698,155
	$ 1,975,210	$ 1,098,132

9. Endowments:

The Organization's endowments consist of the Maruska Family Fund, an Adopt-A-Room donor restricted endowment, and endowments held in the Ronald McDonald House Charities Fund (the ACF Fund) established with the ACF. Investment earnings from the Maruska Family Fund are restricted for specific spending needs related to Adopt-A-Room purposes. The ACF Fund is comprised of board designated (quasi-endowment) funds and donor restricted endowment funds. The primary purpose for investment earnings for endowments held with the ACF is to provide additional funding for operations, excluding capital purchases. Funds established at ACF are subject to ACF's variance power.

9. Endowments (continued):

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 1,220,580	$ 698,155	$ 1,918,735
Investment return, net	(129,386)	(73,228)	(202,614)
Appropriations	(45,868)	(22,432)	(68,300)
	$ 1,045,326	$ 602,495	$ 1,647,821

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 1,097,933	$ 536,949	$ 1,634,882
Investment return, net	166,702	87,332	254,034
Contributions	-	100,000	100,000
Appropriations	(44,055)	(26,126)	(70,181)
Endowment net assets, ending	$ 1,220,580	$ 698,155	$ 1,918,735

Funds with deficiencies:

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2022 and 2021, there were no deficiencies of this nature.

9. Endowments (continued):

Return objectives, risk parameters and spending policy:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating purposes supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. The Organizations current spending policy states that an annual distribution is issued to the Organization consisting of 4.5% of the average quarterly value of investments over the previous 12 months. Endowment assets include those assets of board designated funds and donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested with a growth and income style of investing in a portfolio comprised of cash, fixed income securities, and equities. Investment income is appropriated for expenditure in the year earned, and is, therefore, included in net assets without donor restrictions.

The Organization is also subject to the ACF's investment and spending policies for endowment assets. These policies attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to preserve the purchasing power and achieve long-term growth of capital of the endowment assets. The endowment assets are invested in a manner that is intended to achieve long-term (10+ years) absolute returns in excess of inflation, investment expenses, and spending. To achieve its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The recommended distribution rate for endowed funds and voluntary guidance for non-endowed funds will be based on the nominal return projection for the ACF's long-term diversified pool, net of expected inflation and expenses. The Organization's policy is to approve for spending the entire amount distributed by the ACF. Accumulated earnings on this endowment are released from board designated or donor restricted net assets when distributed by the ACF.

10. Net assets without donor restrictions:

Net assets without donor restrictions at December 31, 2022 and 2021 is as follows:

	2022	2021
Undesignated	$ 4,669,873	$ 6,231,205
Investment in property and equipment, net	7,704,900	8,270,691
Board designated:		
Operating reserves	2,455,325	2,015,580
Cambridge remodel	750,000	500,000
Capital reserve studies	1,008,145	285,000
	$ 16,588,243	$ 17,302,476

11. In-kind contributions:

The Organization received the following in-kind contributions during the years ended December 31, 2022 and 2021:

	2022	2021
Advertising	$ 7,725	$ 23,622
Cost of direct benefits to donors	15,320	107,008
Dinnertime	875	26,609
Family support supplies	143,573	158,712
Furniture, fixtures and equipment	-	17,639
Linens and laundry	18,000	24,000
Supplies	316	7,979
Utilities	31,500	25,200
	$ 217,309	$ 390,769

The Organization recognizes in-kind contributions within support. Unless otherwise noted, these contributions did not have donor-imposed restrictions.

Advertising, family support supplies, furniture, fixtures and equipment, linens and laundry, supplies, and utilities were utilized in the Organization's program services. The value of the items is based on estimated retail value that would be paid for purchasing a similar product.

11. In-kind contributions (continued):

Dinnertime items, which are included with family support services and supplies on the statement of functional expenses, were utilized in the Organization's program services. The value of the meals is based on estimated value that would be paid for purchasing a similar meal.

Cost of direct benefits to donors include items utilized for the Organization's fundraising efforts. The value of the items is based on estimated retail value that would be paid for purchasing or renting a similar item.

12. Joint cost allocations:

During the years ended December 31, 2022 and 2021, the Organization incurred joint costs of $170,630 and $311,731 for informational materials that are included in fundraising appeals. During 2022 and 2021, the Organization allocated $51,189 and $77,933 to program expense and $119,441 and $233,798 to fundraising expenses.

13. Retirement plan:

The Organization maintains a 401(k) plan (the Plan) covering all employees who have completed over one year of continuous employment. Participants can elect to make limited salary deferral contributions and the Organization matches employee contributions to the Plan up to 4% of the eligible employee's salary. Contributions to the Plan for the years ended December 31, 2022 and 2021 were $28,098 and $29,570.

14. Related party transactions:

During the years ended December 31, 2022 and 2021, the Organization paid $188,688 and $183,218 for commercial cleaning and maintenance as well as legal services to companies that are owned and/or operated by three board members.

15. Contingencies:

Litigation:

From time to time, the Organization may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the Organization's financial statements.

16. Concentrations:

The Organization derives the majority of its revenues and support from third-party reimbursements and donor contributions. At times, transactions with particular third-party payors or donors may constitute a concentration in accordance with accounting standards. At December 31, 2022, three third-party payors comprised 59% of total accounts receivable and two donors comprised 68% of total promises to give. For the year ended December 31, 2022, one donor accounted for 16% of revenues and support. No donors or third-party payors accounted for concentrations of revenues and support at December 31, 2021.

17. Reclassifications:

The 2021 financial statements have been reclassified in order to conform to the 2022 financial statement presentation. The reclassifications had no effect on change in net assets at December 31, 2021 or on net assets for the year then ended.