

**RONALD MCDONALD HOUSE CHARITIES  
OF SOUTHERN COLORADO, INC.  
Financial Statements**

**For the Years Ended December 31, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ronald McDonald House Charities  
of Southern Colorado, Inc.  
Colorado Springs, Colorado

**Opinion**

We have audited the accompanying financial statements of Ronald McDonald House Charities of Southern Colorado, Inc. (a nonprofit organization), which comprise the statement 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 Southern Colorado Inc. 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Southern Colorado Inc. 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 the ability of Ronald

McDonald House Charities of Southern Colorado, Inc. 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 Ronald McDonald House Charities of Southern Colorado Inc.'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 ability of Ronald McDonald House Charities of

Southern Colorado Inc. 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.

**Emphasis of Matter**

As described in Note A to the financial statements, during the year ended December 31, 2022, Ronald McDonald House Charities of Southern Colorado, Inc. adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
May 8, 2023

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN COLORADO  
 Statements of Financial Position  
 December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,031,888	\$ 410,633
Accounts receivable	269,127	48,858
Pledges receivable	203,096	183,167
Prepaid expenses	<u>15,197</u>	<u>15,857</u>
Total current assets	1,519,308	658,515
INVESTMENTS	2,246,301	2,670,772
RESTRICTED INVESTMENTS	575,000	575,000
LONG-TERM PLEDGES RECEIVABLE - net	357,766	510,706
CONSTRUCTION IN PROGRESS	53,128	
PROPERTY AND EQUIPMENT - net	6,612,494	6,819,200
RIGHT-OF-USE ASSETS	<u>9,458</u>	<u>17,980</u>
TOTAL ASSETS	<u>\$ 11,373,455</u>	<u>\$ 11,252,173</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 81,056	\$ 48,610
Deferred revenue	2,200	
Lease liability - current	<u>1,591</u>	<u>1,586</u>
Total current liabilities	84,847	50,196
LONG-TERM LIABILITIES:		
Lease liability - long term	<u>1,997</u>	<u>3,588</u>
Total liabilities	86,844	53,784
NET ASSETS:		
Without donor restrictions	10,693,078	10,554,942
With donor restrictions	<u>593,533</u>	<u>643,447</u>
Total net assets	<u>11,286,611</u>	<u>11,198,389</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,373,455</u>	<u>\$ 11,252,173</u>

See Notes to Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN COLORADO  
Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT:						
Contributions and grants	\$ 597,776	\$ 98,369	\$ 696,145	\$ 648,019	\$ 120,239	\$ 768,258
Third party reimbursement room rental	389,187		389,187	351,972		351,972
Special events and fundraisers, net of direct costs of \$100,488 and \$69,013	373,526		373,526	341,781		341,781
In-kind donations	224,705		224,705	214,343		214,343
ERC grant	213,909		213,909			
Satisfied program restrictions	<u>170,294</u>	<u>(170,294)</u>		<u>106,994</u>	<u>(106,994)</u>	
Total revenues and other support	1,969,397	(71,925)	1,897,472	1,663,109	13,245	1,676,354
EXPENSES:						
Program services:						
Ronald McDonald House services	979,253		979,253	888,408		888,408
Ronald McDonald family rooms	<u>75,752</u>		<u>75,752</u>	<u>64,998</u>		<u>64,998</u>
Total program services	1,055,005		1,055,005	953,406		953,406
Supporting services:						
General and administrative	137,122		137,122	152,545		152,545
Fundraising	<u>193,508</u>		<u>193,508</u>	<u>165,460</u>		<u>165,460</u>
Total supporting services	<u>330,630</u>		<u>330,630</u>	<u>318,005</u>		<u>318,005</u>
Total expenses	<u>1,385,635</u>		<u>1,385,635</u>	<u>1,271,411</u>		<u>1,271,411</u>
CHANGE IN NET ASSETS FROM OPERATIONS	583,762	(71,925)	511,837	391,698	13,245	404,943
INVESTMENT INCOME, NET	<u>(445,626)</u>	<u>22,011</u>	<u>(423,615)</u>	<u>166,880</u>	<u>54,102</u>	<u>220,982</u>
CHANGE IN NET ASSETS	138,136	(49,914)	88,222	558,578	67,347	625,925
NET ASSETS, beginning of year	<u>10,554,942</u>	<u>643,447</u>	<u>11,198,389</u>	<u>9,996,364</u>	<u>576,100</u>	<u>10,572,464</u>
NET ASSETS, end of year	<u>\$ 10,693,078</u>	<u>\$ 593,533</u>	<u>\$ 11,286,611</u>	<u>\$ 10,554,942</u>	<u>\$ 643,447</u>	<u>\$ 11,198,389</u>

See Notes to Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN COLORADO, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2022

	Ronald McDonald House	Ronald McDonald Family Rooms	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 293,457	\$ 50,637	\$ 344,094	\$ 68,276	\$ 156,880	\$ 225,156	\$ 569,250
Employee benefits	29,997	2,559	32,556	10,915	14,515	25,430	57,986
Payroll taxes	23,477	4,298	27,775	5,381	12,711	18,092	45,867
Total salaries and related expenses	346,931	57,494	404,425	84,572	184,106	268,678	673,103
Accounting and legal	8,394	4,197	12,591	29,590		29,590	42,181
Bank and credit card fees				2,218	7,010	9,228	9,228
Capital campaign							
Copier lease	2,821		2,821				2,821
Donation	36,050		36,050				36,050
Depreciation	215,227	11,555	226,782	5,274		5,274	232,056
Dues and subscriptions	1,490		1,490	230	426	656	2,146
Emergency housing	14,711		14,711				14,711
House improvements	3,923		3,923				3,923
Facilities					36,578	36,578	36,578
Insurance	29,586		29,586				29,586
Licenses, permits, and fees				36	3,315	3,351	3,351
Marketing	470	102	572	1,016	1,342	2,358	2,930
Meetings and seminars				2,379		2,379	2,379
Miscellaneous, including in-kind	65,125	146	65,271	7,778	36,025	43,803	109,074
Newsletter					7,048	7,048	7,048
Postage and printing	361		361	79	5,985	6,064	6,425
Repairs and maintenance	36,666		36,666				36,666
Supplies	132,657	2,258	134,915	2,522	10,777	13,299	148,214
Telephone, cable and internet	17,317		17,317				17,317
Transportation	10,362		10,362	1,428	1,384	2,812	13,174
Utilities	45,978		45,978				45,978
Volunteer support	8,831		8,831				8,831
Website	2,353		2,353				2,353
Total expenses	979,253	75,752	1,055,005	137,122	293,996	431,118	1,486,123
Less expenses netted with revenue on statement of activities					(100,488)	(100,488)	(100,488)
	<u>\$ 979,253</u>	<u>\$ 75,752</u>	<u>\$ 1,055,005</u>	<u>\$ 137,122</u>	<u>\$ 193,508</u>	<u>\$ 330,630</u>	<u>\$ 1,385,635</u>

See Notes to Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN COLORADO, INC.

Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Ronald McDonald House	Ronald McDonald Family Rooms	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 239,392	\$ 51,211	\$ 290,603	\$ 94,477	\$ 132,860	\$ 227,337	\$ 517,940
Employee benefits	24,657	2,787	27,444	10,720	13,355	24,075	51,519
Payroll taxes	19,599	3,550	23,149	8,153	10,469	18,622	41,771
Total salaries and related expenses	283,648	57,548	341,196	113,350	156,684	270,034	611,230
Accounting and legal	1,871	935	2,806	6,547		6,547	9,353
Bank and credit card fees				1,975	5,607	7,582	7,582
Capital campaign					4,332	4,332	4,332
Copier lease	2,285		2,285				2,285
Depreciation	217,311	5,274	222,585	8,747		8,747	231,332
Dues and subscriptions				3,350		3,350	3,350
Emergency housing	25,704		25,704				25,704
Housing improvements	5,228		5,228				5,228
Facilities					48,898	48,898	48,898
Insurance	27,484		27,484				27,484
License, permits, and fees				56	780	836	836
Marketing	306		306	32	820	852	1,158
Meetings and seminars				3,306		3,306	3,306
Miscellaneous, including							
in-kind	72,562	772	73,334	8,008	4,103	12,111	85,445
Newsletter					4,249	4,249	4,249
Postage and printing	41		41	717	4,278	4,995	5,036
Repairs and maintenance	30,790		30,790				30,790
Supplies	153,221	469	153,690	3,432	4,722	8,154	161,844
Telephone, cable, and internet	17,594		17,594				17,594
Transportation	8,455		8,455	3,025		3,025	11,480
Utilities	34,131		34,131				34,131
Volunteer support	5,300		5,300				5,300
Website	2,477		2,477				2,477
Total expenses	888,408	64,998	953,406	152,545	234,473	387,018	1,335,196
Less expenses netted with revenue on statement of activities					(69,013)	(69,013)	(69,013)
	<u>\$ 888,408</u>	<u>\$ 64,998</u>	<u>\$ 953,406</u>	<u>\$ 152,545</u>	<u>\$ 165,460</u>	<u>\$ 318,005</u>	<u>\$ 1,266,183</u>

See Notes to Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN COLORADO  
 Statements of Cash Flows  
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 88,222	\$ 625,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	505,618	(180,208)
Depreciation	232,056	231,332
Decrease (increase) in assets:		
Accounts receivable	(220,269)	(31,805)
Pledges receivable	133,011	189,320
Prepaid expenses	660	(2,482)
Right-of-use assets	8,522	7,449
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	32,446	24,813
Lease liabilities	(1,586)	(1,580)
Refundable advance - PPP funds		(103,800)
Deferred revenue	<u>2,200</u>	<u>(5,000)</u>
Total adjustments	<u>692,658</u>	<u>128,039</u>
Net cash provided by operating activities	780,880	753,964
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in construction in progress	(53,128)	
Proceeds from the sale of investments	902,308	943,724
Purchases of investments	<u>(1,008,805)</u>	<u>(1,984,028)</u>
Net cash used by investing activities	<u>(159,625)</u>	<u>(1,040,304)</u>
NET INCREASE (DECREASE) IN CASH	621,255	(286,340)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH beginning of year	<u>410,633</u>	<u>696,973</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH end of year	<u>\$ 1,031,888</u>	<u>\$ 410,633</u>

See Notes to Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN COLORADO, INC.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Southern Colorado, Inc. (the Organization) was incorporated in the state of Colorado on December 5, 1985. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage, and we operate with accountability and transparency.

This mission is fulfilled through the operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum, and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities of Southern Colorado:

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program(s) located in Colorado Springs, CO, which provide temporary lodging, meals, and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team, and to participate in critical medical care decisions.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal, or have a moment of quiet.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Organization - continued

##### Ronald McDonald Family Room - continued

Located inside medical care facilities, the Ronald McDonald Family Room programs in St. Francis Medical Center, and Children's Hospital Colorado serve as places of respite, relaxation, and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

##### Ronald McDonald Care Mobile

This program has been temporarily suspended. When operating, the Ronald McDonald Care Mobile (RMCM) program provides access to pediatric medical, dental and/or health education services for children living in underserved communities. The RMCM program serves children that are at great risk to develop acute conditions, dental problems, chronic diseases, and even serious lifelong illnesses. Through partnerships with local healthcare organizations, government programs, and ministries, the Organization brings clinical services and health education directly to those in need, so children can receive high quality, convenient care right in their own neighborhood - from urban communities to remote, hard-to-reach areas.

#### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board designated or appropriated amounts, are unrestricted and are reported as part of the net assets without donor restrictions class.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measure of Operations

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes return on investments.

#### Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash consist of the Organization's checking and money market accounts.

The Organization maintains its cash, cash equivalents, and restricted cash in commercial banks. In the unlikely event of a bank failure, the Organization could suffer a loss to the extent its deposits exceed the banks' insurance limits.

#### Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

#### Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect on balances outstanding. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, consideration is given to whether or not an allowance for doubtful accounts is necessary. No allowance for doubtful accounts was considered necessary at December 31, 2022 and 2021. For December 31, 2022, \$0 and \$353 were the accounts receivable from customers at the beginning and end of the period, respectively. For December 31, 2021, \$0 and \$191 were the accounts receivable from customers at the beginning and end of the period, respectively.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Pledges Receivable

Pledges receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Pledges receivable are written-off when deemed uncollectible. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, consideration is given to whether or not an allowance for doubtful accounts is necessary. No allowance for doubtful accounts was considered necessary at December 31, 2022 and 2021.

#### Property and Equipment

Property and equipment exceeding \$2,500 are recorded at cost when purchased or fair market value if donated. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation of equipment, building, and improvements is calculated using the straight-line method over estimated useful lives of three to 40 years. Depreciation expense for the years ended December 31, 2022 and 2021, was \$232,056 and \$231,332, respectively.

#### Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return, or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate. At December 31, 2022 and 2021, deferred revenue consisted of \$2,200 and \$0, respectively.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or law.

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.

#### Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them.

At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

#### New Accounting Standards Update - Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs using the modified retrospective as of January 1, 2021. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Standards Update - Leases - continued

The adoption had an impact on the Organization's statement of financial position but did not have an impact on the statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Organization to restate amounts at January 1, 2021. The following table presents the line items from the accompanying financial statements for December 31, 2021, that were affected through applying the new guidance.

	Amounts Reported Prior to Adoption	Effects of Applying the New Guidance	Reported within the Accompanying Statements
<i>Statements of Financial Position</i>			
Assets:			
Right-of-use assets	\$	\$ 17,980	\$ 17,980
Prepaid expenses	28,663	(12,806)	15,857
Liabilities: Right-of-use liabilities		5,174	5,174
Net assets: Net assets without donor restrictions - December 31, 2021	643,447		643,447

Donated Assets, Property and Equipment, and Services

During the year ended December 31, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*.

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Donated Assets, Property and Equipment, and Services - continued

The Organization's policy related to donated assets is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. The Organization did not sell any donated assets received during the years ending December 31, 2022 and 2021.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

#### Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Contributions and Grants - continued

Funds received but not yet earned are shown as deferred revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

#### Special Event Revenue - Ticket Sales

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met. Total contributions recorded in event revenue was \$390,993 and \$333,505, for the years ended December 31, 2022 and 2021, respectively.

#### Third-party Reimbursements

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

#### Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related benefits are allocated based on estimated level of effort. Other costs, such as utilities and depreciation, are allocated based on utilization by various program and administrative purposes.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 170(b)(1)(A)(vi).

The Organization's forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date filed. Management of the Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

#### Supplemental Cash Flow Disclosures

The Organization paid no income taxes during the years ended December 31, 2022 and 2021. The Organization acquired \$25,350 and \$0 in property and equipment through contributions during the years ended December 31, 2022 and 2021, respectively.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Date of Management's Review

In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through May 8, 2023, the date that the financial statements were available to be issued. There were no material subsequent events that required recognition in the financial statements.

## Notes to Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY

The Organization has \$2,718,524 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,030,188 accounts and pledges receivable of \$472,223 and investments of \$2,246,301. The total is net of \$593,533 of donor restrictions that make the assets unavailable for general expenditure within one year of the balance sheet date.

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves under the following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### C. FAIR VALUE MEASUREMENTS

The Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

## Notes to Financial Statements

### C. FAIR VALUE MEASUREMENTS - Continued

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels are recorded at the end of the period.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

#### Assets at Fair Value as of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Domestic equity	\$ 1,980,699	\$	\$	\$ 1,980,699
Mutual funds:				
Domestic equity	250,120			250,120
Debt securities:				
US Treasury & Federal Agencies		266,302		266,302
Cash equivalent	253,898			253,898
Money market	70,282			70,282
	<u>\$ 2,554,999</u>	<u>\$ 266,302</u>	<u>\$</u>	<u>\$ 2,821,301</u>

#### Assets at Fair Value as of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Domestic equity	\$ 1,988,911	\$	\$	\$ 1,988,911
Mutual funds:				
Domestic equity	216,411			216,411
Debt securities:				
US Treasury & Federal Agencies		225,754		225,754
Cash equivalent	700,051			700,051
Money market	114,645			114,645
	<u>\$ 3,020,018</u>	<u>\$ 225,754</u>	<u>\$</u>	<u>\$ 3,245,772</u>

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 95,022	\$ 52,806
Realized and unrealized gains	(505,618)	180,208
Less: investment expenses	<u>(13,019)</u>	<u>(12,032)</u>
	<u>\$ (423,615)</u>	<u>\$ 220,982</u>

Investments are reported in the accompanying financial statements as follows:

	<u>2022</u>	<u>2021</u>
Long-term investments	\$ 2,246,301	\$ 2,670,772
Restricted investments	<u>575,000</u>	<u>575,000</u>
	<u>\$ 2,821,301</u>	<u>\$ 3,245,772</u>

D. PLEDGES RECEIVABLE

Total pledges receivable at December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 239,450	\$ 208,450
One to five years	320,000	440,350
More than five years	<u>137,500</u>	<u>187,500</u>
Total	696,950	836,300
Unamortized discount	<u>(136,088)</u>	<u>(142,427)</u>
Net pledges receivable	<u>\$ 560,862</u>	<u>\$ 693,873</u>

The pledges will be received by the Organization in future years and have been discounted using the risk-free interest rate for the year in which they were received. The interest rates used range from 0.19% to 2.52%.

## Notes to Financial Statements

### E. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 7,097,440	\$ 7,097,440
Furniture and equipment	231,551	206,201
Family rooms	36,915	58,614
Artwork	28,192	28,192
Software	5,000	5,000
Accumulated depreciation	<u>(786,604)</u>	<u>(576,247)</u>
	<u>\$ 6,612,494</u>	<u>\$ 6,819,200</u>

### F. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for specific purposes and for donor-restricted endowments are as follows for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Meals	\$ 784	\$ 1,958
Play area	<u>                    </u>	<u>25,000</u>
Specific purpose	784	26,958
Time restricted room sustainer	17,749	41,489
Donor-restricted endowment	<u>575,000</u>	<u>575,000</u>
	<u>\$ 593,533</u>	<u>\$ 643,447</u>

During the years ended December 31, 2022 and 2021, net assets with donor restrictions for specific purposes were released from restriction for the following purposes:

	<u>2022</u>	<u>2021</u>
House operations	\$ 162,822	\$ 93,002
Annual teambuilding	3,000	1,500
Meals	2,972	2,442
Car seats	1,000	
Holiday store	500	
COVID-19 relief		10,000
Volunteer fair		<u>50</u>
	<u>\$ 170,294</u>	<u>\$ 106,994</u>

## Notes to Financial Statements

### F. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets with donor restrictions for endowments of \$575,000 at December 31, 2022 and 2021, consist of endowment fund assets to be held in perpetuity for support of house operations.

These net assets are subject to donor restrictions that stipulate that the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be used for house operations. The donor further stipulated that none of the income is to be used for capital expenditures.

At December 31, 2022 and 2021, the underlying assets of the endowment fund are included in the statements of financial position as restricted investments.

In accordance with generally accepted accounting principles, net assets with donor restrictions associated with endowment funds are classified based on the existence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Organization's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restriction except for explicit donor-stipulations to the contrary. As a result of this interpretation, net assets with donor restrictions for endowments include the original value of the gift and any required accumulations for inflation stipulated by the donor.

The Organization's net assets with donor restrictions for endowments consist of an endowment gift received from one donor. The gift instrument does not require that a percentage of the annual income, including realized and unrealized gains, be added to the original gift as a hedge against the effects of inflation. As of December 31, 2022 and 2021, the original gift was equal to the fair market value of the donor-restricted net assets.

The remaining portion of the donor-restricted endowment that is not classified as net assets with donor restrictions is classified as such until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and the Organization's investment

## Notes to Financial Statements

### F. NET ASSETS WITH DONOR RESTRICTIONS - Continued

and spending policies.

The Endowment is composed of donor-restricted contributions totaling \$575,000 at December 31, 2022 and 2021, which is included in net assets with donor restrictions.

#### Composition of Endowment

The following table reflects the changes in the endowment net assets during the years ended December 31, 2022 and 2021:

	<u>Net assets with donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ 575,000	\$ 575,000
Investment income	54,102	54,102
Program expenditures	<u>(54,102)</u>	<u>(54,102)</u>
Endowment net assets, December 31, 2021	575,000	575,000
Investment income	22,011	22,011
Program expenditures	<u>(22,011)</u>	<u>(22,011)</u>
Endowment net assets, December 31, 2022	<u>\$ 575,000</u>	<u>\$ 575,000</u>

#### Return Objectives and Risk Parameters

The Organization has adopted objectives and parameters in its investment policy for the purpose of providing reasonably predictable earnings while preserving the required fair value of the endowment's net assets restricted in perpetuity.

#### Spending Policy and Relation to Investment Objectives

To the extent that expenses satisfy donor stipulations, the Organization considers the long-term expected return on the endowment to determine appropriate distributions each year. Accordingly, over the long-term, the Organization expects its spending policy to provide funding for its programs as well as preserve the required fair values of the endowment's net assets.

Notes to Financial Statements

F. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Strategies Employed for Achieving Objectives

The Organization employs a total-return strategy to achieve its investment objectives, utilizing both capital appreciation (realized and unrealized) and current yield (interest and dividends). Asset allocation and diversification is applied to maintain an acceptable level of prudent risk.

G. DONATED GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Services:		
Cleaning services	\$ 31,176	\$ 38,610
Laundry services	15,378	9,225
IT services	6,750	825
Maintenance services	6,402	3,616
Landscaping services		15,000
Miscellaneous		1,496
	<u>59,706</u>	<u>68,772</u>
Tangible goods:		
Meals	69,107	59,249
Supplies	34,716	67,495
Playground addition	25,351	
Fundraising event supplies	18,980	
Gift cards	16,845	13,103
Toys		5,424
	<u>164,999</u>	<u>145,271</u>
Total in-kind goods and services	<u>\$ 224,705</u>	<u>\$ 214,043</u>

Donated services are all used for the Ronald McDonald House program.

## Notes to Financial Statements

### H. PENSION PLAN

The Organization's full-time employees are eligible to participate in a 403(b) pension plan. Employees who normally work over 20 hours a week are considered full-time. Employees may elect to defer a portion of their salary to the plan. The Organization contributes 5% of the employees' gross salary and matches employees' contributions up to 5% of qualified employees' salary. In order to qualify, the employee must complete one year of service and be employed on December 31. During the years ended December 31, 2022 and 2021, the Organization contributed \$17,911 and \$15,565, respectively, to the plan. All contributions are fully vested.

### I. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is a 5% beneficiary of a perpetual trust. The Organization receives quarterly distributions of 5% of the income of the trust. During the years ended December 31, 2022 and 2021, the Organization received \$44,259 and \$39,399, respectively, from the trust which is included in contributions and grants in the statement of activities.

### J. OPERATING LEASES

The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As the Organization's leases do not provide an implicit rate, the Organization uses the risk-free discount rate based on the five-year Treasury bond rate as of the later of the date of adoption of the lease standard or the initial date of the lease term in determining the present value of lease payments in determination of the respective right-of-use (ROU) assets and liabilities.

Under ASU 2016-02, the Organization has made an accounting policy election to apply the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with a term of 12 months or less that do not include an option to purchase the underlying asset, are not recorded on the balance sheet as ROU assets or lease liabilities. The Organization has elected to expense the cost of the short-term leases on the straight-line basis in the accompanying Statements of Activities.

Notes to Financial Statements

J. OPERATING LEASES - Continued

During 2019, the Organization entered into a ground lease agreement for the land where the family house was constructed. This lease is in effect at \$1 per year through 2119. This obligation was satisfied in full in advance. This lease is far below market value and is considered a contribution therefore *Leases (Topic 842)* is not applicable to this lease.

In April 2020, the Organization leased a copier. The lease requires monthly payments of \$133 through March 2025. Variable payments may be required based upon the number and type of images used during the period. The Organization has the option to purchase the copier at fair market value at the end of the term. The Organization has not decided whether to utilize the purchase option.

In December 2020, the Organization entered into a three-year lease for a van. The entire lease was paid during 2020, therefore no lease liability exists related to this lease. The Organization has the option to purchase the van at the residual value stated in the lease agreement of \$18,479 at the end of the term. The Organization has not decided whether to utilize the purchase option.

The following summarizes the line items in the statement of activities which include the components of lease expense for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating lease rent, included in program service expenses	\$ 8,004	\$ 8,004
Variable payments, included in program service expenses	<u>1,219</u>	<u>684</u>
Total lease cost	<u>\$ 9,223</u>	<u>\$ 8,688</u>

The following summarizes lease term and discount rate for operating leases as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Weighted Average Remaining Lease Term	2.25 years	3.25 years
Weighted Average Discount Rate	0.36%	0.36%

Notes to Financial Statements

J. OPERATING LEASES - Continued

Maturities of operating lease liabilities as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
2022	\$	\$ 1,602
2023	1,602	1,602
2024	1,601	1,601
2025	<u>400</u>	<u>400</u>
Total lease payments	3,603	5,205
Less: interest	<u>(14)</u>	<u>(31)</u>
Present value of lease liabilities	<u>\$ 3,589</u>	<u>\$ 5,174</u>

Supplemental cash flow information for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in measurement of lease liabilities for operating leases	<u>\$ 1,602</u>	<u>\$ 1,602</u>

K. RELATED PARTIES

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as Chapters within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Organization and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development.

## Notes to Financial Statements

### K. RELATED PARTIES - Continued

The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. The Organization may also receive grants for designated use from RMHC Global. During the years ended December 31, 2022 and 2021, the Organization received \$133,977 and \$149,290, respectively, from grants and these revenue streams.

### L. EMPLOYEE RETENTION CREDIT

During the year ending December 31, 2022, the Organization applied to the U.S. Department of Treasury, Internal Revenue Service (IRS), for refunds under the Employee Retention Credit (ERC) program. The credits cover employment tax quarters in the calendar years 2020 and 2021.

The Organization received notification of approval of ERC from the IRS in the amount of \$213,909. The credit received by the Organization is included in the statement of activities as ERC grant for the year ended December 31, 2022.

### M. UNCERTAINTIES

The outbreak of coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, "shelter in place" and other governmental regulations, global market impact, and job losses. The extent to which the COVID-19 outbreak will affect the operations or financial results of the Organization is uncertain.

With the rising cost of inflation and potential risk of recession, it is uncertain what effect these factors may have on the operations of the Corporation in the coming years.