

**RONALD MCDONALD HOUSE CHARITIES
OF ANN ARBOR
ANN ARBOR, MICHIGAN**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of Ann Arbor

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Ann Arbor (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Ann Arbor as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States 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 Ann Arbor 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 Ann Arbor's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Ann Arbor '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 Ann Arbor '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.

Respectfully,

WSR Certified Public Accountants, P.C.

WSR Certified Public Accountants, P.C.

Ann Arbor, Michigan

July 8, 2024

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENTS OF FINANCIAL POSITION
DECEMBER, 31 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 1,315,146	\$ 841,138
Accounts Receivable, Net of \$40,000 (2023) and \$0 (2022) allowance for doubtful accounts	235,571	69,688
Contributions Receivable (Note 4)	44,167	117,932
Donated Use of Facilities, Net (Note 7)	176,901	169,977
Prepaid Expenses	<u>17,218</u>	<u>21,787</u>
Total Current Assets	<u>1,789,003</u>	<u>1,220,522</u>
NONCURRENT ASSETS		
Contributions Receivable (Note 4)	-	27,167
Investments (Note 5)	3,375,891	2,942,950
Donated Use of Facilities, Net (Note 7)	751,300	928,201
Property and Equipment, Net (Note 6)	3,197,944	3,220,018
Restricted Cash and Investments (Note 5)	<u>-</u>	<u>81,457</u>
Total Noncurrent Assets	<u>7,325,135</u>	<u>7,199,793</u>
 Total Assets	 <u><u>\$ 9,114,138</u></u>	 <u><u>\$ 8,420,315</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 68,634	\$ 73,436
Other Liabilities	5,172	6,348
Refundable Advances	<u>-</u>	<u>19,700</u>
Total Current Liabilities	<u>73,806</u>	<u>99,484</u>
 NET ASSETS		
Without Donor Restrictions	7,471,710	6,463,047
With Donor Restrictions (Note 9)	<u>1,568,622</u>	<u>1,857,784</u>
Total Net Assets	<u>9,040,332</u>	<u>8,320,831</u>
 Total Liabilities and Net Assets	 <u><u>\$ 9,114,138</u></u>	 <u><u>\$ 8,420,315</u></u>

See Independent Auditors' Report and accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without	With		Without	With	
	Donor Restrictions	Donor Restrictions	Total	Donor Restrictions	Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 1,104,403	\$ 143,750	\$ 1,248,153	\$ 972,736	\$ 121,500	\$ 1,094,236
In-kind Contributions (Note 1)	539,776	-	539,776	146,201	-	146,201
Special Events Revenue	826,649	-	826,649	498,628	-	498,628
Family Insurance Reimbursement (Note 14)	273,205	-	273,205	123,738	-	123,738
Loss on Disposal of Property and Equipment	-	-	-	(8,777)	-	(8,777)
Other (Loss) Income	21,360	-	21,360	(9,148)	-	(9,148)
Net Assets Released From Restrictions (Note 10)	432,912	(432,912)	-	291,737	(291,737)	-
Total Revenues and Other Support	<u>3,198,305</u>	<u>(289,162)</u>	<u>2,909,143</u>	<u>2,015,115</u>	<u>(170,237)</u>	<u>1,844,878</u>
EXPENSES						
Program Services	1,719,123	-	1,719,123	1,283,642	-	1,283,642
Management and General Administration	329,275	-	329,275	251,637	-	251,637
Fundraising	368,179	-	368,179	273,579	-	273,579
Cost of Direct Benefit to Donors	202,419	-	202,419	123,237	-	123,237
Total Expenses	<u>2,618,996</u>	<u>-</u>	<u>2,618,996</u>	<u>1,932,095</u>	<u>-</u>	<u>1,932,095</u>
CHANGE IN NET ASSETS FROM OPERATIONS						
Investment Income, Net (Note 5)	579,309	(289,162)	290,147	83,020	(170,237)	(87,217)
CHANGE IN NET ASSETS	<u>429,354</u>	<u>-</u>	<u>429,354</u>	<u>(314,012)</u>	<u>(17,619)</u>	<u>(331,631)</u>
NET ASSETS AT BEGINNING OF YEAR	1,008,663	(289,162)	719,501	(230,992)	(187,856)	(418,848)
	<u>6,463,047</u>	<u>1,857,784</u>	<u>8,320,831</u>	<u>6,694,039</u>	<u>2,045,640</u>	<u>8,739,679</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,471,710</u>	<u>\$ 1,568,622</u>	<u>\$ 9,040,332</u>	<u>\$ 6,463,047</u>	<u>\$ 1,857,784</u>	<u>\$ 8,320,831</u>

See Independent Auditors' Report and accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services				
	Ronald McDonald House	Management and General	Fundraising	Cost of Direct to Donors	Total
Salaries	\$ 580,888	\$ 121,799	\$ 234,229	\$ -	\$ 936,916
Employee Benefits	41,650	8,733	16,795	-	67,178
Payroll Taxes	47,285	9,914	19,066	-	76,265
Total Salaries and Related Expenses	669,823	140,446	270,090	-	1,080,359
Depreciation	146,419	32,945	3,661	-	183,025
Direct Mail	-	-	6,343	-	6,343
Donor Development	9,009	-	47,297	-	56,306
Donor Recognition	-	-	7,886	-	7,886
Family Support Services and Supplies	416,423	-	-	-	416,423
Grants	8,550	-	-	-	8,550
Insurance	16,788	3,777	420	600	21,585
Maintenance and Repairs	111,253	8,374	-	-	119,627
Meetings, Education and Training	3,393	6,786	3,393	-	13,572
Office Supplies	2,958	2,872	2,872	7,676	16,378
Outside Services	74,637	-	1,000	193,092	268,729
Postage and Courier	679	679	1,359	460	3,177
Printing and Publishing	189	202	872	545	1,808
Professional Fees	5,972	60,384	-	-	66,356
Supplies and Decorations	10,172	-	-	-	10,172
Technology	11,112	10,785	10,785	-	32,682
Telephone	1,617	1,569	1,569	-	4,755
Travel, Meals, and Entertainment	4,266	4,395	4,266	4	12,931
Use of Donated Facilities	168,982	38,021	4,225	-	211,228
Utilities	51,178	11,515	1,279	-	63,972
Volunteer Resources and Recognition	778	-	-	-	778
Other	4,925	6,525	862	42	12,354
Total expenses	\$ 1,719,123	\$ 329,275	\$ 368,179	\$ 202,419	\$ 2,618,996

See Independent Auditors' Report and accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services				
	Ronald McDonald House	Management and General	Fundraising	Cost of Direct to Donors	Total
Salaries	\$ 434,966	\$ 91,203	\$ 175,390	\$ -	\$ 701,559
Employee Benefits	35,604	7,465	14,357	-	57,426
Payroll Taxes	33,695	7,065	13,587	-	54,347
Total Salaries and Related Expenses	504,265	105,733	203,334	-	813,332
Automobile	94	24	-	-	118
Depreciation	139,849	31,466	3,496	-	174,811
Direct Mail	-	-	4,983	-	4,983
Donor Development	5,869	-	30,811	-	36,680
Donor Recognition	-	-	5,659	-	5,659
Family Support Services and Supplies	187,274	-	-	-	187,274
Grants	1,347	-	-	-	1,347
Insurance	15,200	3,420	380	-	19,000
Maintenance and Repairs	103,030	7,755	-	-	110,785
Meetings, Education and Training	2,127	4,255	2,127	-	8,509
Office Supplies	3,537	3,434	3,434	-	10,405
Outside Services	76,498	-	1,000	33,504	111,002
Postage and Courier	516	516	1,033	-	2,065
Printing and Publishing	77	82	355	8,485	8,999
Professional Fees	3,004	30,379	-	-	33,383
Supplies and Decorations	8,175	-	-	10,022	18,197
Technology	8,322	8,077	8,077	-	24,476
Telephone	501	486	486	-	1,473
Travel, Meals, and Entertainment	2,353	2,424	2,353	67,542	74,672
Uses of Donated Facilities	168,986	38,022	4,225	-	211,233
Utilities	48,793	10,978	1,220	-	60,991
Volunteer Resources and Recognition	364	-	-	-	364
Other	3,461	4,586	606	3,684	12,337
Total expenses	\$ 1,283,642	\$ 251,637	\$ 273,579	\$ 123,237	\$ 1,932,095

See Independent Auditors' Report and accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 719,501	\$ (418,848)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	183,025	174,811
Amortization of Discount on Contributed Use of Facilities	169,982	163,322
Donated Property and Equipment	(153,519)	-
Donated Securities	(2,100)	(3,843)
Loss (Gain) on Disposal of Property and Equipment	-	8,777
Net Realized and Unrealized Losses (Gains) on Investments	(328,692)	395,764
(Increase) Decrease in Assets:		
Accounts Receivable	(165,883)	48,767
Contributions Receivable	100,932	(4,432)
Prepaid Expenses	4,569	(1,416)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(4,802)	9,651
Other Liabilities	(1,176)	(7,670)
Refundable Advances	(19,700)	18,897
Net Cash Provided by Operating Activities	<u>502,137</u>	<u>383,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,474,494)	(1,437,101)
Proceeds from Sale of Investments	1,450,584	507,193
Purchase of Property and Equipment	(7,443)	(106,828)
Net Cash Used by Investing Activities	<u>(31,353)</u>	<u>(1,036,736)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	470,784	(652,956)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>844,362</u>	<u>1,497,318</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR (Note 2)	<u>\$ 1,315,146</u>	<u>\$ 844,362</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Assets	<u>\$ 155,619</u>	<u>\$ 3,843</u>

See Independent Auditors' Report and accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Ann Arbor (the Organization) is a Michigan nonprofit charitable corporation formed in 1983. 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.

We fulfill our mission through 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 program, operated by the Organization, represent one of the core functions of Ronald McDonald House Charities:

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 located in Ann Arbor which provides 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.

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 net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization has recorded an allowance for uncollectible receivables of \$40,000 and \$0 as of December 31, 2023 and 2022, respectively.

Contributions Receivable

Contributions 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. Contributions receivable are written off when deemed uncollectible.

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.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. All significant amounts are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	30 - 40 Years
Office Furniture and Equipment	5 - 7 Years
Vehicles	5 Years

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Donated Assets, Property and Equipment, Facilities and Services

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.

Nonfinancial asset donations received include supplies items such as various toiletries and are utilized by families staying at the Organization's facilities. Also see Note 10.

Donated facilities are measured at fair value on the date of the contribution and then amortized to expense in the subsequent periods the assets are used. The fair value does not exceed the fair value of the long-lived asset at the time the unconditional promise is made. The contribution receivable is described in the financial statements as "Donated Use of Facilities." For promises of donated facilities that are expected to be long term and used in future years, the Contributed Use of Facilities assets 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.

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.

Refundable Advances

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.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 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.

Revenue Recognition

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. We report contributions restricted by donors 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. Funds received but not yet earned are shown as Refundable Advances. 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.

Sponsorship Revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

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.

Family Insurance Reimbursements

Family insurance 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

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, donor development, insurance, maintenance and repairs, utilities, meetings, education and training, office supplies, technology and telephone, which are allocated on the estimated basis of areas benefitted; and salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of management's estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 2

The Organization's cash and cash equivalents consist of restricted and unrestricted balances. The Statement of Financial Position (SFP) presents the cash and cash equivalents for the two categories separately, while the Statement of Cash Flows (SCF) combines all cash flows. Balances of cash are as follows for December 31:

	<u>2023</u>	<u>2022</u>
Unrestricted, SFP	\$ 1,315,146	\$ 841,138
Restricted (Note 5)	-	3,224
Total cash, SCF	<u>\$ 1,315,146</u>	<u>\$ 844,362</u>

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 LIQUIDITY

The Organization has \$1,615,172 and \$1,050,545 of financial assets, as of December 31, 2023 and 2022, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section, less the Donated Use of Facilities, of the statements. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets which consist of cash and short-term investments on hand to meet 60 days of normal operating expenses which are, on average, approximately \$350,000 and \$244,000 as of December 31, 2023 and 2022, respectively.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of pledges as of the years ended December 31:

	2023	2022
Amounts due in:		
Less than One Year	\$ 44,167	\$ 117,932
One to Five Years	-	27,167
Total	<u>\$ 44,167</u>	<u>\$ 145,099</u>

NOTE 5 FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets measured on a recurring basis as of December 31, 2023 and 2022 are as follows:

	Fair Value Measurements Using Level 1	
	2023	2022
Assets:		
Investments, unrestricted:		
Mutual Funds		
Domestic Equity	\$ 1,043,971	\$ 1,223,732
Global	576,614	378,618
Balanced	233,520	383,078
Bond & Fixed Income Funds	1,521,786	957,522
Total Investments, Unrestricted	3,375,891	2,942,950
Investments, restricted:		
Domestic Equity	-	78,233
Total Investments, Restricted	-	78,233
Total Investments	<u>\$ 3,375,891</u>	<u>\$ 3,021,183</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

Overall Investment Objective

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees which oversees the Organization's investment program in accordance with established guidelines.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Interest and Dividend Income, Net	\$ 100,662	\$ 64,133
Realized and Unrealized Gains, Net	328,692	(395,764)
Investment Income, Net	<u>\$ 429,354</u>	<u>\$ (331,631)</u>

Restricted cash and investments represent amounts held for required disbursement of the Boos Charitable Trust Grant. Restricted cash and investments for this purpose was the following as of December 31:

	2023	2022
Cash (Note 2)	\$ -	\$ 3,224
Investments	-	78,233
Total Restricted Cash and Investments	<u>\$ -</u>	<u>\$ 81,457</u>

NOTE 6 PROPERTY AND EQUIPMENT

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

	2023	2022
Building and Improvements	\$ 5,663,482	\$ 5,659,685
Furniture and Equipment	780,378	623,214
Total, at Cost	6,443,860	6,282,899
Accumulated Depreciation	(3,245,916)	(3,062,891)
Property and Equipment, net	<u>\$ 3,197,944</u>	<u>\$ 3,220,008</u>

NOTE 7 DONATED USE OF FACILITIES

The Organization entered into a lease agreement for land with the Regents of the University of Michigan (the "University") in June 1984, which was amended in February 1991. The major provisions of this lease included, but are not limited to, the following:

- The purpose of the lease is to permit the Organization to construct, expand, and operate a Ronald McDonald House (the "House") .
- The term of the lease is 45 years, with an option to renew for an additional 10 years.
- The cost of the lease is \$1 per year.
- The University holds the legal title to the building and its fixtures.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 DONATED USE OF FACILITIES (CONTINUED)

- Upon expiration of the lease or termination due to a breach of the agreement, the Organization may be required to demolish or remove the House. In the event of a breach in the lease, all the personal property shall become the property of the University.
- The lease may be terminated by the University with 360 days' notice at which time the University is required to pay the Organization the fair market value of the House based on an independent real estate appraisal.

The Organization also entered into an additional agreement with the University in October 2008, which was amended in December 2011. The major provisions of this agreement include, but are not limited to, the following:

- The purpose of the agreement is to permit the Organization to use a space within CS Mott Children's Hospital ("Mott Hospital") to operate a Ronald McDonald house (the "Mott House"). The Mott House space includes 12 private sleep and bath lodging rooms, as well as a common parent lounge, laundry and reception area.
- The term of the lease is 16.9 years, terminating in October 2028.
- The Mott House space is made available to the Organization without cost, including the facility and facility costs such repairs and maintenance, utilities, local telephone services, and janitorial services, but excluding long distance telephone and data services.
- The University holds the legal title to the building and its fixtures.
- The Organization shall, at its expense obtain all necessary licenses and permits to conduct the Mott House and its operations and shall oversee and coordinate all Mott House staff and volunteers at Mott House. The Organization shall also acquire and maintain all personal property required for Mott House operations and maintain insurance on the same, as well as maintaining general liability insurance at specified minimum coverage limits.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 DONATED USE OF FACILITIES (CONTINUED)

The following amounts have been reported related to the donated use of facilities for the land and Mott House space for the years ended December 31:

	as of January 2023	Activity	as of December 2023
Land lease	\$ 139,665	\$ (23,277)	\$ 116,388
Discount on land lease	(17,933)	4,958	(12,975)
Land lease, net	<u>121,732</u>	<u>(18,319)</u>	<u>103,413</u>
Mott Hospital lease	1,096,410	(187,956)	908,454
Discount on Mott Hospital lease	(119,964)	36,298	(83,666)
Mott Hospital lease, net	<u>976,446</u>	<u>(151,658)</u>	<u>824,788</u>
Total Donated use of facilities adjustments, net	<u>\$ 1,098,178</u>	<u>\$ (169,977)</u>	<u>\$ 928,201</u>

	as of January 2022	Activity	as of December 2022
Land lease	\$ 162,942	\$ (23,277)	\$ 139,665
Discount on land lease	(23,610)	5,677	(17,933)
Land lease, net	<u>139,332</u>	<u>(17,600)</u>	<u>121,732</u>
Mott Hospital lease	1,284,366	(187,956)	1,096,410
Discount on Mott Hospital lease	(162,198)	42,234	(119,964)
Mott Hospital lease, net	<u>1,122,168</u>	<u>(145,722)</u>	<u>976,446</u>
Total Donated use of facilities adjustments, net	<u>\$ 1,261,500</u>	<u>\$ (163,322)</u>	<u>\$ 1,098,178</u>

NOTE 8 ENDOWMENT FUND

The Organization's endowment consists of one individual fund established by a donor to provide annual funding for specific activities and general operations.

Absent explicit donor stipulations to the contrary, the Board of Trustees of the Organization has 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. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 ENDOWMENT FUND (CONTINUED)

endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

Investment Return Objectives, Risk Parameters and Strategies. The Organization's objective is to earn a respectable, long-term risk adjusted total rate of return to support the Organization's programs. Management recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income is a secondary consideration, as the investment portfolio is comprised entirely of publicly traded securities. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Organization has preference for simple investment structures which will have lower cost, easier oversight and less complexity for internal financial management and auditing.

Spending Policy. The Organization reports endowment earnings as changes in temporarily restricted net assets. The Organization's annual appropriation policy for expenditure of endowment earnings does not require formal action, therefore endowment earnings are released from restriction in the period earned absent action by the Board of Directors.

There were no changes in endowment net assets and net assets by type of fund for the years ended December 31, 2023 and 2022. The endowment fund balance was \$496,250 for both years ended December 31, 2023 and 2022 and is included in Investments reported on the Statements of Financial Position.

Fund Deficiencies.

There were no such deficiencies as of December 31, 2023 and 2022.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2023	2022
Subject to expenditure for specific purpose:		
Program Activities:		
Family grants	\$ -	\$ 36,800
Boos Charitable Trust grant	-	81,457
Jones Family Foundation	100,000	-
Total subject to expenditure for specific purpose	100,000	118,257
Subject to passage of time		
Contributions receivable	44,166	145,099
Donated use of facilities	928,206	1,098,178
Total Subject to passage of time	972,372	1,243,277
Subject to the Organization's spending policy and appropriation:		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	496,250	496,250
Total net assets with donor restrictions	<u>\$ 1,568,622</u>	<u>\$ 1,857,784</u>

NOTE 10 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

	2023	2022
Purpose restrictions accomplished:		
Family & Trust grants	\$ 118,257	\$ -
Time restrictions expired:		
Passage of specified time	314,655	291,737
Total restrictions released	<u>\$ 432,912</u>	<u>\$ 291,737</u>

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Professional fees	\$ 27,429	\$ -
Family Supplies	317,572	98,290
Total	<u>\$ 345,001</u>	<u>\$ 98,290</u>

In addition, there was \$153,519 of furniture and mattresses donated in 2023 and included in Property and Equipment.

NOTE 12 401(K) SIMPLE IRA PLAN

The Organization provides a 401(k) SIMPLE IRA plan to all full and part-time employees after one year of employment with the Organization. The Organization contributes 3% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$17,359 and \$14,413 for the years ended December 31, 2023 and 2022, respectively.

NOTE 13 TRANSACTIONS WITH RELATED ENTITIES

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 Corporation 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. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2023 and 2022, the Organization received \$274,151 and \$219,186, respectively, from these revenue streams.

See Independent Auditors' Report

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 14 REVENUE RECOGNITION

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of services for the years ended December 31:

	2023	2022
Revenue Recognized at a Point in Time		
Family Insurance Reimbursement	\$ 273,205	\$ 123,738
Total Revenue Recognized at a point in time	<u>\$ 273,205</u>	<u>\$ 123,738</u>

The Organization's contract assets consist of:

	as of January 2023	Activity	as of December 2023
Accounts Receivable			
Family Insurance Reimbursement	\$ 69,688	\$ 165,883	\$ 235,571
Total Accounts Receivable	<u>\$ 69,688</u>	<u>\$ 165,883</u>	<u>\$ 235,571</u>

	as of January 2022	Activity	as of December 2022
Accounts Receivable			
Family Insurance Reimbursement	\$ 55,690	\$ 13,998	\$ 69,688
Total Accounts Receivable	<u>\$ 55,690</u>	<u>\$ 13,998</u>	<u>\$ 69,688</u>

NOTE 15 SUBSEQUENT EVENTS

Management evaluated subsequent events through July 8, 2024, the date the financial statements were available to be issued.

In May 2024, the Organization received notice of a lawsuit brought by a former employee for age discrimination. Management has consulted with the Organization's insurance company regarding the matter. No estimate of any possible liability can be made at this time.

See Independent Auditors' Report