

ELLIN & TUCKER

**RONALD MCDONALD HOUSE CHARITIES OF MARYLAND, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**



RMHC[®]
Maryland

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December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

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

OPINION

We audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Maryland, Inc. and Subsidiary (collectively referred to as the Organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2023 and 2022, the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT, CONTINUED

AUDITORS' RESPONSIBILITIES FOR THE AUDITS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITORS' REPORT, CONTINUED

We are required to communicate with those charged with governance matters regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
May 13, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary
December 31, 2023 and 2022

ASSETS

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 2,045,067	\$ 3,396,366
Restricted Cash	119,528	184,528
Investments (Note 2)	16,451,734	12,191,578
Pledges Receivable, Net (Note 3)	75,000	347,500
Other Receivables	151,861	206,293
Note Receivable (Note 5)	8,115,600	8,115,600
Prepaid Expenses and Other Assets	94,308	71,450
Property and Equipment, Net (Note 4)	28,238,457	29,373,635
Total Assets	\$ 55,291,555	\$ 53,886,950

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 291,760	\$ 340,023
Notes Payable (Note 6)	11,616,642	11,543,683
Total Liabilities	11,908,402	11,883,706

COMMITMENTS (Note 9)

NET ASSETS

Without Donor Restrictions	42,684,986	41,376,216
With Donor Restrictions (Note 7)	698,167	627,028
Total Net Assets	43,383,153	42,003,244
Total Liabilities and Net Assets	\$ 55,291,555	\$ 53,886,950

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENTS OF ACTIVITIES
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 2,104,666	\$ 181,634	\$ 2,286,300	\$ 1,909,054	\$ 195,401	\$ 2,104,455
Special Events	2,000,849	-	2,000,849	1,770,805	-	1,770,805
Grant Revenue From Ronald McDonald House Charities, Inc.	278,770	-	278,770	234,249	-	234,249
Guest Family Donations	58,539	-	58,539	30,108	-	30,108
In-Kind Contributions (Note 9)	868,735	-	868,735	558,366	-	558,366
Net Assets Released From Restrictions	177,643	(177,643)	-	234,686	(234,686)	-
Total Revenues, Gains, and Other Support	5,489,202	3,991	5,493,193	4,737,268	(39,285)	4,697,983
EXPENSES						
Program Services	4,313,117	-	4,313,117	3,892,371	-	3,892,371
Management and General	467,563	-	467,563	446,060	-	446,060
Fundraising	452,673	-	452,673	426,436	-	426,436
Cost of Direct Benefits to Donors	721,271	-	721,271	518,864	-	518,864
Total Expenses	5,954,624	-	5,954,624	5,283,731	-	5,283,731
Change in Net Assets From Operations	(465,422)	3,991	(461,431)	(546,463)	(39,285)	(585,748)
INVESTMENT INCOME (LOSS), NET (Note 2)	1,774,192	67,148	1,841,340	(1,280,264)	(68,912)	(1,349,176)
Change in Net Assets	1,308,770	71,139	1,379,909	(1,826,727)	(108,197)	(1,934,924)
NET ASSETS – BEGINNING OF YEAR	41,376,216	627,028	42,003,244	43,202,943	735,225	43,938,168
NET ASSETS – END OF YEAR	\$ 42,684,986	\$ 698,167	\$ 43,383,153	\$ 41,376,216	\$ 627,028	\$ 42,003,244

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary
For the Year Ended December 31, 2023

	Program Services	Supporting Services			Cost of	
		Management and General	Fundraising	Total	Direct Benefits to Donors	Total
Salaries	\$ 1,312,353	\$ 139,265	\$ 259,509	\$ 398,774	\$ -	\$ 1,711,127
Employee Benefits	109,934	12,120	26,766	38,886	-	148,820
Payroll Taxes	99,194	10,068	19,408	29,476	-	128,670
Total Salaries and Related Expenses	1,521,481	161,453	305,683	467,136	-	1,988,617
Bad Debt	-	2,531	-	2,531	-	2,531
Bank Charges	-	106,574	-	106,574	-	106,574
Conferences and Meetings	31,129	8,002	-	8,002	-	39,131
Dues and Subscriptions	8,473	1,301	149	1,450	-	9,923
Family Support Services	489,506	-	-	-	-	489,506
House Operations	162,144	8,804	12,589	21,393	-	183,537
House Security	213,704	-	-	-	-	213,704
House Supplies	141,030	3,042	1,883	4,925	-	145,955
Insurance	65,320	5,246	-	5,246	-	70,566
Interest	-	81,611	-	81,611	-	81,611
Lease	50,000	-	-	-	-	50,000
Maintenance and Repairs	103,791	6,058	-	6,058	-	109,849
Marketing and Public Relations	40,513	7,563	48,256	55,819	-	96,332
Postage, Printing, and Publishing	1,304	913	23,722	24,635	-	25,939
Professional Development	15,896	2,919	2,701	5,620	-	21,516
Professional Fees	11,351	42,350	-	42,350	-	53,701
Special Events	9,359	-	48,970	48,970	721,271	779,600
Telephone	17,279	3,574	1,981	5,555	-	22,834
Transportation and Parking	1,547	116	-	116	-	1,663
Utilities	152,125	314	586	900	-	153,025
Total Expenses Before Depreciation and Amortization	3,035,952	442,371	446,520	888,891	721,271	4,646,114
Depreciation and Amortization	1,277,165	25,192	6,153	31,345	-	1,308,510
Total Expenses	\$ 4,313,117	\$ 467,563	\$ 452,673	\$ 920,236	\$ 721,271	\$ 5,954,624

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary
For the Year Ended December 31, 2022

	Program Services	Supporting Services			Cost of	
		Management and General	Fundraising	Total	Direct Benefits to Donors	Total
Salaries	\$ 1,141,105	\$ 116,071	\$ 250,490	\$ 366,561	\$ -	\$ 1,507,666
Employee Benefits	85,896	9,695	27,790	37,485	-	123,381
Payroll Taxes	92,457	8,477	18,444	26,921	-	119,378
Total Salaries and Related Expenses	1,319,458	134,243	296,724	430,967	-	1,750,425
Bad Debt	-	650	-	650	-	650
Bank Charges	-	101,314	-	101,314	-	101,314
Conferences and Meetings	26,288	8,611	281	8,892	-	35,180
Dues and Subscriptions	8,104	102	235	337	-	8,441
Family Support Services	345,426	-	-	-	-	345,426
House Operations	127,236	11,477	1,816	13,293	-	140,529
House Security	216,080	-	-	-	-	216,080
House Supplies	134,501	4,064	785	4,849	-	139,350
Insurance	64,272	4,500	-	4,500	-	68,772
Interest	-	81,611	-	81,611	-	81,611
Lease	50,000	-	-	-	-	50,000
Maintenance and Repairs	94,718	4,168	-	4,168	-	98,886
Marketing and Public Relations	55,382	989	50,971	51,960	-	107,342
Postage, Printing, and Publishing	728	260	25,376	25,636	-	26,364
Professional Development	10,990	6,198	80	6,278	-	17,268
Professional Fees	6,930	57,271	-	57,271	-	64,201
Special Events	4,636	-	41,913	41,913	518,864	565,413
Telephone	17,708	4,163	1,476	5,639	-	23,347
Transportation and Parking	5,900	1,045	474	1,519	-	7,419
Utilities	129,607	229	409	638	-	130,245
Total Expenses Before Depreciation and Amortization	2,617,964	420,895	420,540	841,435	518,864	3,978,263
Depreciation and Amortization	1,274,407	25,165	5,896	31,061	-	1,305,468
Total Expenses	\$ 3,892,371	\$ 446,060	\$ 426,436	\$ 872,496	\$ 518,864	\$ 5,283,731

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,379,909	\$ (1,934,924)
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,308,510	1,305,468
(Gain) Loss on Investments, Net	(1,444,020)	1,614,502
Net Changes in:		
Pledges and Other Receivables	51,932	83,095
Prepaid Expenses and Other Assets	(22,858)	2,814
Accounts Payable and Accrued Expenses	(48,263)	30,096
	<u>1,225,210</u>	<u>1,101,051</u>
INVESTING ACTIVITIES		
Purchases of Investments	(7,503,943)	(1,932,431)
Sales of Investments	4,687,807	1,748,337
Expenditures for Property and Equipment	(100,373)	(152,350)
	<u>(2,916,509)</u>	<u>(336,444)</u>
Net Cash Used in Investing Activities		
FINANCING ACTIVITIES		
Collections of Contributions Restricted for Long-Term Purposes	275,000	285,000
	<u>275,000</u>	<u>285,000</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(1,416,299)	1,049,607
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – BEGINNING OF YEAR	<u>3,580,894</u>	<u>2,531,287</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	<u>\$ 2,164,595</u>	<u>\$ 3,580,894</u>

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ACTIVITIES

Ronald McDonald House Charities of Maryland, Inc. (RMH) is a not-for-profit organization that provides a home away from home for seriously ill children and their families. When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. RMH helps families stay close to their ill or injured child through the Ronald McDonald House program located in Baltimore, 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.

Hope Has a New Address: RMH 2.0, Inc. (RMH 2.0) was formed in 2018 for the purpose of the construction of the new house (Note 13). RMH is the sole member of RMH 2.0.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of RMH and RMH 2.0 (collectively referred to as the Organization). All significant intercompany transactions and balances were eliminated in consolidation.

ACCOUNTING STANDARDS CODIFICATION

All references in the consolidated financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

NEW ACCOUNTING STANDARD ADOPTION

In June 2016, the FASB issued Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326) to modify the model for recognizing credit losses on financial instruments not measured at fair value. The modified model requires the immediate recognition of credit losses on financial instruments based on an estimate of expected losses, replacing the incurred loss method under previous guidance. The Organization adopted the standard effective January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the Organization's consolidated financial statements.

(See Independent Auditors' Report)

BASIS OF ACCOUNTING AND PRESENTATION

The consolidated financial statements were prepared on the accrual basis of accounting in accordance with 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.

REVENUE RECOGNITION

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 elapses, when the stipulated purpose for which the resource was restricted is fulfilled, or both.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

FUNCTIONAL EXPENSES

Functional expenses are allocated between program and supporting services based on an analysis of personnel's time and space utilized for the related activities.

CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts and money market funds, which at times may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

(See Independent Auditors' Report)

RESTRICTED CASH

In accordance with the loan agreements to finance the construction of the new house (Note 13), the Organization was required to establish reserve accounts. The funds are used to pay certain asset management and servicing fees.

PLEDGES AND OTHER RECEIVABLES

Pledges and other receivables 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 and other receivables are written off when deemed uncollectable.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$2,500 or more 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 related assets.

VALUATION OF LONG-LIVED ASSETS

The Organization evaluates its long-lived assets for any events or changes in circumstances that 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.

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. The Board of Directors designated, from net assets without donor restrictions, net assets for capital reserves as of December 31, 2023 and 2022 in the amount of \$4,000,000.

(See Independent Auditors' Report)

With Donor Restrictions

Net assets that are 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.

DONATED ASSETS, PROPERTY AND EQUIPMENT, 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 restricts 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.

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 consolidated financial statements.

INCOME TAXES

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the Organization's evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it took any tax positions that would not meet this threshold.

INVESTMENTS

Investments are reported at fair value in the Consolidated Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets. See Note 2 for a discussion of fair value measurements.

(See Independent Auditors' Report)

RISK AND UNCERTAINTIES

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit, and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

NOTE 2 VALUATION OF INVESTMENTS

Investments at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Cash Equivalents	\$ 978,108	\$ 861,839
U.S. Treasury Bills	1,214,967	-
Fixed Income Bond Funds	4,261,543	3,224,037
Equity Funds	9,997,116	8,105,702
Total	<u>\$ 16,451,734</u>	<u>\$ 12,191,578</u>

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary

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

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

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

Below is a description of the valuation methodology used for assets measured at fair value. There were no changes in the methodology used at December 31, 2023 and 2022.

U.S. Treasury Bills, Fixed Income, Equity Funds: Valued at quoted prices in an active market.

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

The following table sets forth by level, within the fair value hierarchy, the Organization's investment securities at fair value as of December 31, 2023 and 2022:

	Level 1 and Total	
	2023	2022
U.S. Treasury Bills	\$ 1,214,967	\$ -
Fixed Income Bond Funds	4,261,543	3,224,037
Equity Funds:		
Emerging Markets	724,601	586,594
International	3,383,894	2,120,459
Large Cap Blend	1,492,940	2,331,741
Large Cap Growth	764,041	453,571
Large Cap Value	1,866,485	1,072,889
Mid Cap Value	-	175,616
Small Cap Growth	916,139	709,663
Small Cap Blend	849,016	655,169
Investment Securities, at Fair Value	\$ 15,473,626	\$ 11,329,739

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary

Cash equivalents are excluded from the fair value hierarchy because cash equivalents are generally measured at cost. As such, short-term investments of \$978,108 and \$861,839 held in the Organization's investment portfolio at December 31, 2023 and 2022, respectively, were excluded from this table.

Investment income (losses) for the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Dividends and Interest	\$ 430,407	\$ 295,141
Net Realized (Loss) Gain on Sale of Investments	(174,530)	142,703
Unrealized Appreciation (Depreciation) on Investments	<u>1,618,550</u>	<u>(1,757,205)</u>
	1,874,427	(1,319,361)
Less: Investment Fees	<u>33,087</u>	<u>29,815</u>
	<u>\$ 1,841,340</u>	<u>\$ (1,349,176)</u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give from donors. Pledges receivable at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Amounts Due in Less Than One Year	\$ 75,000	\$ 275,000
Amounts Due in One to Five Years	<u>-</u>	<u>75,000</u>
Total Commitment	75,000	350,000
Less: Present Value Discount	<u>-</u>	<u>2,500</u>
Pledges Receivable, Net	<u>\$ 75,000</u>	<u>\$ 347,500</u>

Pledges that are due in more than one year are reflected at the present value of expected future cash flows using a discount rate of 3%.

(See Independent Auditors' Report)

NOTE 4 **PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Building and Improvements	\$ 31,620,054	\$ 31,543,250
Furniture and Office Equipment	2,454,375	2,430,806
Automotive Equipment	134,249	134,249
	34,208,678	34,108,305
Less: Accumulated Depreciation	5,970,221	4,734,670
Total	\$ 28,238,457	\$ 29,373,635

NOTE 5 **NOTE RECEIVABLE**

In July 2018, the Organization entered into a loan agreement with RMH Baltimore Investment Fund, LLC to facilitate the tax credit transactions used to fund the construction of the new house (Note 13). The note receivable at December 31, 2023 requires interest-only quarterly payments at 1% through December 2025. Effective March 2026, interest and principal payments of approximately \$93,000 will be due in quarterly installments through maturity on September 1, 2050.

NOTE 6 **NOTES PAYABLE**

Notes payable as of December 31, 2023 and 2022 consisted of:

	2023	2022
Note Payable; interest only at .739% through March 1, 2026, then quarterly payments of \$48,861 until maturity in December 2056, collateralized by new house	\$ 5,410,400	\$ 5,410,400
Note Payable; interest only at .739% through March 1, 2026, then quarterly payments of \$20,858 until maturity in December 2056, collateralized by new house	2,309,600	2,309,600
Note Payable; interest only at .739% through March 1, 2026, then quarterly payments of \$24,430 until maturity in December 2056, collateralized by new house	2,705,200	2,705,200

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary

	2023	2022
Note Payable; interest only at .739% through March 1, 2026, then quarterly payments of \$11,693 until maturity in December 2056, collateralized by new house	1,294,800	1,294,800
	11,720,000	11,720,000
Less: Loan origination fees, net of accumulated amortization of \$398,234 and \$325,275, respectively	103,358	176,317
	\$ 11,616,642	\$ 11,543,683
Future principal payments on notes payable are as follows:		
Year Ending December 31,	2024	\$ -
	2025	-
	2026	-
	2027	-
	2028	-
	Thereafter	11,720,000
		\$ 11,720,000

NOTE 7 **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2023 and 2022 were as follows:

	2023	2022
Subject to Expenditure for Specified Purposes:		
Pergola Construction	\$ -	\$ 40,462
Family Expenses	53,214	37,653
Meal Program	53,159	-
Vending Product	7,495	6,621
Other	10,404	6,014

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary

	2023	2022
Subject to Organization's Spending Policy and Appropriation:		
Investment in Perpetuity (Including Amounts Greater Than Original Gift Amounts of \$481,250), Which Once Appropriated, is Expendable to Support:		
Any Activities of the Organization	573,895	536,278
Total	\$ 698,167	\$ 627,028

NOTE 8 ENDOWMENT FUNDS

The Organization's endowment consists of one donor-restricted endowment fund established to provide a source of income for ongoing operating expenses. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Organization is subject to the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors interprets UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization interprets UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund
- (2) Purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary

- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) Investment policies of the Organization

Endowment fund composition by type of fund as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ -	\$ 481,250	\$ 481,250
Accumulated Investment Gains	-	92,645	92,645
	\$ -	\$ 573,895	\$ 573,895

Endowment fund composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ -	\$ 481,250	\$ 481,250
Accumulated Investment Gains	-	55,028	55,028
	\$ -	\$ 536,278	\$ 536,278

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Maryland, Inc. and Subsidiary

Changes in endowment funds for the years ended December 31, 2023 and 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds, January 1, 2022	\$ -	\$ 684,334	\$ 684,334
Investment Return, Net	-	(68,912)	(68,912)
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(79,144)</u>	<u>(79,144)</u>
Endowment Funds, December 31, 2022	-	536,278	536,278
Investment Return, Net	-	67,148	67,148
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(29,531)</u>	<u>(29,531)</u>
Endowment Funds, December 31, 2023	<u>\$ -</u>	<u>\$ 573,895</u>	<u>\$ 573,895</u>

UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2023 and 2022.

RETURN OBJECTIVES AND RISK PARAMETERS

The Organization adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a composite index, which is a weighted blend of the indices, that reflects the Organization's target asset allocation while assuming a moderate level of investment risk.

(See Independent Auditors' Report)

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). 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 parameters.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organization has a policy of allowing earnings to accumulate until appropriated by the Organization. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to maintain the original value of the gifts donated to the permanent endowment. This is consistent with the objective to maintain the original value of the endowment assets in perpetuity or the donor-specified term.

NOTE 9 IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions of nonfinancial assets for the years ended December 31, 2023 and 2022:

	2023	2022
Property and Equipment:		
Building and Improvements	\$ 11,700	\$ -
Expenses:		
Family Support Services	367,767	235,924
House Operations	62,040	63,360
House Supplies	49,208	36,778
Lease	50,000	50,000
Maintenance and Repairs	20,865	14,484
Professional Fees	3,125	9,375
Special Events	304,030	148,445
Total	\$ 868,735	\$ 558,366

In valuing contributed nonfinancial assets, the Organization estimated the fair value of donated goods on the basis of wholesale values that would be received for selling similar products in the United States. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

(See Independent Auditors' Report)

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

The Organization has a ground lease with the City of Baltimore for the land for \$1 per year through July 2066 with an option to extend for an additional 25 years. The Organization recorded the fair value of this rent of approximately \$50,000 as in-kind contribution revenue and lease expense for each of the years ended December 31, 2023 and 2022.

NOTE 10 RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan for eligible employees. During 2023 and 2022, the Organization's contribution to the plan was \$57,136 and \$52,966, respectively. During 2023 and 2022, the Organization paid \$10,486 and \$14,026, respectively, in administration fees.

NOTE 11 RELATED-PARTY TRANSACTIONS

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 \$278,770 and \$234,249, respectively, from RMHC Global from these revenue streams.

NOTE 12 SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended December 31, 2023 and 2022 was approximately \$81,600.

(See Independent Auditors' Report)

NOTE 13 **NEW HOUSE TRANSACTION**

In 2018, the Organization entered into a series of complex transactions designed to provide funding to construct the new house. The transactions allowed other unrelated parties to utilize federal and state new market tax credits, which could not be utilized by the Organization. These credits are subject to recapture to the extent the Organization does not meet certain performance standards. The requirements include various economic and community impacts that will respond to the needs of the surrounding community, as specified in the agreement.

Accordingly, the unrelated parties entered into debt, lease, and other agreements designed to protect their financial interests in the transaction, which incentivized the Organization to meet performance standards during the compliance period. The Organization negotiated provisions in the agreements, which provide options to relieve the Organization of these significant obligations upon expiration of the compliance period. The compliance period expires in May 2025.

NOTE 14 **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization’s financial assets available to meet cash needs for general expenditures within one year of the Consolidated Statements of Financial Position date were as follows:

	2023	2022
Cash and Cash Equivalents	\$ 2,045,067	\$ 3,396,366
Investments	16,451,734	12,191,578
Pledges Receivable	75,000	347,500
Other Receivables	151,861	206,293
Total Financial Assets	18,723,662	16,141,737
Receivables Scheduled to Be Collected in More Than One Year	-	(72,500)
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(573,895)	(536,278)
Donor Contributions Restricted to Specific Purposes	(124,272)	(90,750)
Board-Designated Capital Reserve	(4,000,000)	(4,000,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 14,025,495</u>	<u>\$ 11,442,209</u>

(See Independent Auditors’ Report)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, management performs a periodic review of the cash flow projections. The Organization established a board-designated capital reserve of \$4,000,000 as of December 31, 2023 and 2022 to be used for future capital improvements. Although the Organization does not intend to spend from its board-designated capital reserve, amounts from its board-designated capital reserve could be made available if necessary.

NOTE 15 **SUBSEQUENT EVENTS**

The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through May 13, 2024, the date the consolidated financial statements were available to be issued.

(See Independent Auditors' Report)