



Ronald McDonald House Charities[®] of Northeast Ohio, Inc.

**Consolidated Financial Statements with Report of Independent Auditors
December 31, 2023 and 2022**

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

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Report of Independent Auditors

To the Board of Directors of
Ronald McDonald House Charities® of Northeast Ohio, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities® of Northeast Ohio, Inc., which comprise the consolidated statements of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 Ronald McDonald House Charities® of Northeast Ohio, Inc., as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities® of Northeast Ohio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The consolidated financial statements of Ronald McDonald House Charities® of Northeast Ohio, Inc. as of December 31, 2022, were audited by other auditors whose report dated May 15, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 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 Ronald McDonald House Charities® of Northeast Ohio, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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 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 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 Ronald McDonald House Charities® of Northeast Ohio, 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 consolidated 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 Northeast Ohio, Inc.'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Novogradac & Company LLP

Dover, Ohio
May 23, 2024

RONALD MCDONALD HOUSE CHARITIES[®] OF NORTHEAST OHIO, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,737,858	\$ 1,920,326
Investments	14,347,075	13,153,323
Note receivable	-	6,596,353
Accounts receivable, net	442,957	304,691
Funds held by others	21,243	18,439
Fixed assets, net of accumulated depreciation	22,039,100	22,553,732
Right of use assets	23,946	39,832
Prepaid expenses and other assets	<u>77,396</u>	<u>63,910</u>
Total assets	<u>\$ 38,689,575</u>	<u>\$ 44,650,606</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 466,955	\$ 474,589
Notes payable, net of deferred financing costs	-	9,580,560
Operating lease liability	23,946	39,832
Deferred revenue	<u>86,161</u>	<u>76,000</u>
Total liabilities	577,062	10,170,981
NET ASSETS		
Without donor restrictions	31,833,708	28,210,234
With donor restrictions	<u>6,278,805</u>	<u>6,269,391</u>
Total net assets	<u>38,112,513</u>	<u>34,479,625</u>
Total liabilities and net assets	<u>\$ 38,689,575</u>	<u>\$ 44,650,606</u>

see accompanying notes

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND OTHER SUPPORT			
In-kind	\$ 419,391	\$ -	\$ 419,391
Contributions	3,674,536	442,018	4,116,554
Special events, net	832,847	-	832,847
Annual fund	815,744	-	815,744
Rental income	161,351	-	161,351
Other income	8,240	-	8,240
Employee Retention Tax Credit	185,754	-	185,754
Net assets released from restrictions	<u>888,773</u>	<u>(888,773)</u>	<u>-</u>
Total revenue and other support	6,986,636	(446,755)	6,539,881
EXPENDITURES			
Program services	6,053,756	-	6,053,756
Management and general	842,296	-	842,296
Fundraising	<u>980,213</u>	<u>-</u>	<u>980,213</u>
Total expenditures	7,876,264	-	7,876,264
Change in net assets from operations	(889,628)	(446,755)	(1,336,383)
NONOPERATING ACTIVITIES			
Interest and dividends, net	337,897	100,865	438,762
Interest expense	(49,989)	-	(49,989)
Realized and unrealized gains on investments	1,226,277	355,304	1,581,581
Loss on cancellation of debt	(34,957)	-	(34,957)
Forgiveness of debt income	3,092,647	-	3,092,647
Loss on debt extinguishment	(54,220)	-	(54,220)
Loss on fixed assets	<u>(4,553)</u>	<u>-</u>	<u>(4,553)</u>
Total nonoperating activities	<u>4,513,102</u>	<u>456,169</u>	<u>4,969,271</u>
CHANGE IN NET ASSETS	3,623,474	9,414	3,632,888
NET ASSETS AT BEGINNING OF YEAR	<u>28,210,234</u>	<u>6,269,391</u>	<u>34,479,625</u>
NET ASSETS AT END OF YEAR	<u>\$ 31,833,708</u>	<u>\$ 6,278,805</u>	<u>\$ 38,112,513</u>

see accompanying notes

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND OTHER SUPPORT			
In-kind	\$ 707,900	\$ -	\$ 707,900
Contributions	3,506,157	504,349	4,010,506
Special events, net	745,400	-	745,400
Annual fund	839,496	-	839,496
Rental income	168,855	-	168,855
Other income	23,568	-	23,568
Net assets released from restrictions	<u>1,417,297</u>	<u>(1,417,297)</u>	<u>-</u>
Total revenue and other support	7,408,673	(912,948)	6,495,725
EXPENDITURES			
Program services	5,725,698	-	5,725,698
Management and general	721,407	-	721,407
Fundraising	<u>1,107,988</u>	<u>-</u>	<u>1,107,988</u>
Total expenditures	7,555,093	-	7,555,093
Change in net assets from operations	(146,420)	(912,948)	(1,059,368)
NONOPERATING ACTIVITIES			
Interest and dividends, net	310,595	131,858	442,453
Interest expense	(96,890)	-	(96,890)
Realized and unrealized losses on investments	(1,741,150)	(867,609)	(2,608,759)
Loss on fixed assets	<u>(61,302)</u>	<u>-</u>	<u>(61,302)</u>
Total nonoperating activities	<u>(1,588,747)</u>	<u>(735,751)</u>	<u>(2,324,498)</u>
CHANGE IN NET ASSETS	(1,735,167)	(1,648,699)	(3,383,866)
NET ASSETS AT BEGINNING OF YEAR	<u>29,945,401</u>	<u>7,918,090</u>	<u>37,863,491</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,210,234</u>	<u>\$ 6,269,391</u>	<u>\$ 34,479,625</u>

see accompanying notes

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

EXPENDITURES	2023			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,718,532	\$ 599,711	\$ 519,766	\$ 3,838,009
Depreciation and amortization	1,096,318	22,374	-	1,118,692
In-kind	368,831	-	-	368,831
Repairs and maintenance	568,812	11,608	-	580,420
Annual fund	-	-	393,097	393,097
Utilities	229,530	4,684	-	234,214
Professional services	29,909	86,915	-	116,824
Supplies	334,896	6,835	-	341,731
Miscellaneous	4,908	67,726	18,403	91,037
Promotional	72,231	4,515	13,544	90,290
Family room	113,139	-	-	113,139
Red Treehouse	11,713	-	-	11,713
Lease expense	16,207	331	-	16,538
Telephone	76,276	4,238	4,238	84,752
Night security monitors	175,896	-	-	175,896
Dues and subscriptions	93,149	22,340	19,969	135,458
Insurance	62,398	4,597	3,467	70,461
Volunteer activities	20,849	-	-	20,849
STAR Programs	28,296	-	-	28,296
Travel	12,582	1,797	3,595	17,974
Office	19,284	4,625	4,134	28,043
Total expenditures	<u>\$ 6,053,756</u>	<u>\$ 842,296</u>	<u>\$ 980,213</u>	<u>\$ 7,876,264</u>

see accompanying notes

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

EXPENDITURES	2022			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,506,179	\$ 466,236	\$ 606,855	\$ 3,579,270
Depreciation and amortization	1,114,076	22,736	-	\$ 1,136,812
In-kind	430,213	-	-	430,213
Repairs and maintenance	453,888	9,263	-	463,151
Annual fund	-	-	411,034	411,034
Utilities	200,630	-	-	200,630
Professional services	15,646	126,227	-	141,873
Supplies	298,801	6,098	-	304,899
Miscellaneous	5,927	48,666	30,484	85,077
Promotional	83,133	6,158	13,342	102,633
Family room	75,482	-	-	75,482
Red Treehouse	31,296	-	-	31,296
Lease expense	12,588	257	-	12,845
Telephone	93,848	5,214	5,214	104,276
Night security monitors	167,654	-	-	167,654
Dues and subscriptions	75,717	15,086	20,284	111,087
Insurance	48,188	2,677	2,677	53,542
Volunteer activities	19,448	-	-	19,448
STAR Programs	5,819	-	-	5,819
Care Mobile	20,249	-	-	20,249
Travel	9,640	1,377	2,754	13,771
Office	57,276	11,412	15,344	84,032
Total expenditures	\$ 5,725,698	\$ 721,407	\$ 1,107,988	\$ 7,555,093

see accompanying notes

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,632,888	\$ (3,383,866)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses on investments	(1,581,581)	2,608,759
Depreciation and amortization	1,118,692	1,136,812
Loss on cancellation of debt	34,957	-
Forgiveness of debt income	(3,092,647)	-
Loss on debt extinguishment	54,220	-
Loss on disposal of fixed assets	4,553	61,302
Contributed fixed assets	(6,058)	(277,687)
Increase in assets:		
Receivables	(138,266)	(123,098)
Prepaid expenses and other assets	(404)	(17,245)
(Decrease) increase in liabilities:		
Accounts payable	(7,634)	19,570
Accrued expenses and other liabilities	(15,886)	60,300
Deferred revenue	<u>10,161</u>	<u>68,170</u>
Net cash provided by operating activities	12,995	153,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(560,335)	(1,759,641)
Sale of fixed assets	12,000	-
Purchase of investments	(1,763,374)	(15,699,537)
Sale of investments	<u>2,116,246</u>	<u>16,102,491</u>
Net cash used in investing activities	(195,463)	(1,356,687)
Net change in cash and cash equivalents	(182,468)	(1,203,670)
Cash and cash equivalents at beginning of year	<u>1,920,326</u>	<u>3,123,996</u>
Cash and cash equivalents at end of year	<u>\$ 1,737,858</u>	<u>\$ 1,920,326</u>
SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING ACTIVITY		
Decrease in notes payable settled through exchange	<u>\$ (6,596,353)</u>	<u>\$ -</u>
Decrease in notes receivable due to liquidation of investment fund	<u>\$ 6,596,353</u>	<u>\$ -</u>

see accompanying notes

RONALD MCDONALD HOUSE CHARITIES[®] OF NORTHEAST OHIO, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

1. Organization

Ronald McDonald House Charities[®] of Northeast Ohio, Inc. (“RMHC NEO” or the “Corporation”) is an Ohio nonprofit public benefit organization classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. The Corporation’s mission is to enhance the healthcare experience for families and children through comfort, care, and supportive services. The mission is fulfilled 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 Corporation operates two Ronald McDonald Houses (Akron and Cleveland), four Ronald McDonald Family Rooms, Ronald McDonald Care Mobile, two STAR Programs, and RedTreehouse.org.

Children’s Family Care, Inc. (“CFC” and collectively with RMHC NEO, the “Organization”) was incorporated on March 30, 1983 in the State of Ohio for the purpose of providing support for families with children receiving medical care at Children’s Hospital Medical Center of Akron and support of other not-for profit entities. Effective December 31, 2023, CFC dissolved and transferred all remaining net assets to the Corporation.

2. Summary of significant accounting policies

Basis of accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. However, donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Principles of consolidation

The Organization’s consolidated financial statements include the activity of RMHC NEO and CFC. All intercompany balances and transactions have been eliminated.

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

2. Summary of significant accounting policies (continued)

Estimates

The preparation of consolidated financial statements in accordance 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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Concentration of credit risk

The Organization maintains its cash, cash equivalents and investments in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash, cash equivalents and investments. RMHC NEO maintains its cash and cash equivalents with financial institutions and although at times investment amounts exceed federally insured limits, management believe the risk associated with exceeding these limits is balanced by the stability of the financial institutions involved. Investments are subject to market fluctuations; therefore, the investment portfolio is monitored on a regular basis by management. At December 31, 2023 and 2022, RMHC NEO's cash accounts exceeded federally insured limits by \$642,121 and \$772,824, respectively.

Pledges receivable

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-free interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of December 31, 2023 and 2022, the Corporation's contributions receivable consisted of unconditional promises to give in the amount of \$444,191 and \$294,993, respectively, including discounts recorded on future cash flows.

Management estimated an allowance based on their review of delinquent accounts and an assessment of the Corporation's historical evidence of collections. On a continuing basis, management analyzes delinquent accounts receivables and once those receivables are determined to be uncollectable, they are written off through a charge against an existing allowance account. The Corporation does not have a policy for charging interest on past due balances. As of December 31, 2023 and 2022, the balance of the allowance for doubtful accounts was \$1,234 and \$1,380, respectively.

Fair value measurements

The Corporation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Corporation's own assumptions.

The following tables present the Corporation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2023 and 2022:

	2023			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equity:				
Domestic	\$ 8,562,644	\$ 8,562,644	\$ -	\$ -
International	3,583,585	3,583,585	-	-
Interval fund - domestic	1,229,795	1,229,795	-	-
Exchange traded funds	210,879	210,879	-	-
Funds held by others	21,243	-	21,243	-
	\$13,608,146	\$13,586,903	\$ 21,243	\$ -
Cash and cash equivalents	760,172			
Total	\$14,368,318			
	2022			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equity:				
Domestic	\$ 7,589,725	\$ 7,589,725	\$ -	\$ -
International	3,297,785	3,297,785	-	-
Interval fund - domestic	1,047,794	1,047,794	-	-
Exchange traded funds	183,049	183,049	-	-
Funds held by others	18,439	-	18,439	-
	\$12,136,792	\$12,118,353	\$ 18,439	\$ -
Cash and cash equivalents	1,034,970			
Total	\$13,171,762			

Investments

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the difference between the proceeds and the carrying value of the investments sold. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

RONALD MCDONALD HOUSE CHARITIES[®] OF NORTHEAST OHIO, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

2. Summary of significant accounting policies (continued)

Investments (continued)

Investments are made according to the finance policy adopted by the Corporation's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Corporation for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Fixed assets and depreciation

Purchases of property, equipment or improvements are recorded at cost at date of acquisition or fair value at the date of the donation. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense during 2023 and 2022 was \$1,064,472 and \$1,021,196, respectively. The useful lives of the assets are estimated as follows:

	<u>Years</u>
Vehicles	5
Furniture, fixtures and equipment	5-10
Buildings and improvements	10-40

Deferred charges and amortization

Deferred charges are amortized on a straight-line basis over the estimated useful lives of the assets. Amortization expense for the years ended December 31, 2023 and 2022 was \$54,220 and \$115,617, respectively. Accumulated amortization for the years ended December 31, 2023 and 2022 was \$634,423 and \$525,983, respectively.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized during 2023 or 2022.

Deferred revenue

Income from sponsorships received in advance of future special events, is deferred and recognized over the period to which the sponsorships relate, when the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur.

RONALD MCDONALD HOUSE CHARITIES[®] OF NORTHEAST OHIO, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

2. Summary of significant accounting policies (continued)

Board designated net assets

RMHC NEO's Board of Directors has designated \$1.5 million in net assets to function as an operating reserve as of both December 31, 2023 and 2022.

Endowment funds

In August 2008, Financial Accounting Standards Board ("FASB") provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). This guidance also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Corporation is subject to the required disclosures in that the Corporation classifies its unrealized gains and losses on donor-restricted endowed funds as net assets with donor restrictions. As of December 31, 2023 and 2022, no fund balances were below the historical gift amount.

Income taxes

The Corporation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from Ohio income and franchise taxes under Revenue and Taxation Code Section 5709.12(d). In addition, CFC is a private foundation subject to an excise tax on its investment income. There was no excise tax expense for the years ended December 31, 2023 or 2022.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

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2. Summary of significant accounting policies (continued)

Contributions concentration

Contributions received from three sources during the years ended December 31, 2023 and 2022 amounted to \$1,399,852, and \$1,026,926, respectively, which represents approximately 34% and 26%, respectively, of total contributions.

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. RMHC NEO reports 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 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 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, RMHC NEO will record such disallowance at the time the final assessment is made.

Special Events Revenue: Special events revenue is recorded as revenue when earned. Revenue is earned when special events occur, and revenue is received. Funds received but not yet earned are shown as Deferred Revenue.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative and support, and fundraising services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Depreciation and amortization	Square footage
Insurance	Square footage
Repairs and maintenance	Square footage
Supplies	Square footage
Utilities	Square footage
Professional fees	Full-time equivalents
Travel	Full-time equivalents
Telephone	Full-time equivalents
Miscellaneous	Full-time equivalents
Salaries and benefits	Time and effort
Office expenses	Time and effort

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2. Summary of significant accounting policies (continued)

Leases

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate at the lease commencement date in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreement includes rental payments based on utilities due. Lease liabilities are not remeasured as a result of changes in utilities; instead, changes in utilities are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred.

3. Cash and cash equivalents

Cash and cash equivalents at December 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Operating	\$ 1,288,176	\$ 1,285,612
Barter account	115,700	133,950
Money market accounts	333,982	468,959
Savings account - pledged per New Market Tax Credit ("NMTC")	-	31,805
	<u>\$ 1,737,858</u>	<u>\$ 1,920,326</u>

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4. Liquidity and availability of financial assets

The following represents the Corporation's financial assets at December 31, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 1,737,858	\$ 1,920,326
Receivables	442,957	304,691
Funds held by others	21,243	18,439
Investments	14,347,075	13,153,323
Total financial assets	16,549,133	15,396,779
Less amounts not available to be used for general expenditure within one year:		
Savings accounts - pledge per NMTC	-	31,805
Donor restricted by purpose	3,022,387	3,169,143
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	2,080,760	2,080,760
Accumulated investment gains	1,175,658	1,019,488
Board designated funds	1,500,000	1,500,000
Financial assets not available to be used within one year	7,778,805	7,801,196
Financial assets available to meet general expenditures within one year:	\$ 8,770,328	\$ 7,595,583

The Corporation's endowment fund consists of original donor restricted gift amounts and amounts required to be maintained in perpetuity by donor and accumulated investment gains. As described in Note 14, the Board of Directors elects to appropriate for expenditure income earned on its endowment funds, the calculation of which is based on 5% of the most recent average twelve quarter end market values.

The Board of Directors has designated net assets in the amount of \$1,500,000 that may be expended in the event of financial distress or immediate liquidity needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. Therefore, these amounts are not intended to be available to meet general expenditures during the year ended December 31, 2024.

The Corporation's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short term investments.

5. Note receivable

During 2016, several transactions were entered into in order to make additional funds available through the New Markets Tax Credit ("NMTC") program. The goal of the NMTC program is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven year period. A community development entity ("CDE") is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities.

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5. Note receivable (continued)

On June 30, 2016, the Ronald McDonald House in Akron, Ohio loaned \$6,596,353 (the “NMTC Leverage Loan”) to Chase NMTC RMHA Investment Fund, LLC (the “Chase Fund”). The Chase Fund also received equity from a tax credit investor and then made Qualified Equity Investments (“QEI’s”) in Western Reserve DF Affiliate VI, LLC (“Western Reserve CDE”) and CNMC Sub-COE 107, LLC (“CNMC COE”) (collectively, the “CDE’s”). The CDE’s made loans to finance the expansion construction of the Ronald McDonald House in Akron, Ohio.

On July 6, 2023, RMHC NEO exercised its put option to purchase Chase Community Equity, LLC’s 100% interest in the Chase Fund. On this same date, the CDE’s transferred their respective interests in the loans to CFC in satisfaction of the Chase Fund’s 99% equity interest in each CDE. Upon this assignment, RMHC NEO exchanged the A-1 and A-2 Notes (see Note 10) in satisfaction of its \$6,596,353 NMTC Leverage Loan to the Chase Fund. As a result of these transactions, the Organization exchanged \$6,596,353 of debt to settle the balance of the NMTC Leverage Loan and the Organization recognized a loss on the cancellation of debt of \$34,957. For the years ended December 31, 2023 and 2022, the outstanding balance of the note receivable from the Chase Fund was \$0 and \$6,596,353, respectively.

For the years ended December 31, 2023 and 2022, interest income from the NMTC leverage loan was \$49,782 and \$96,874, respectively, and is included in interest and dividends on the consolidated statements of activities.

6. Investments

Investments are comprised of the following as of December 31, 2023 and 2022:

	2023		
	Fair value	Cost	Cumulative Unrealized Depreciation
	\$	\$	\$
Mutual funds - equity	12,146,229	12,262,305	116,076
Interval funds - domestic	1,229,795	1,241,088	11,293
Exchange traded funds	210,879	216,517	5,638
Cash and cash equivalents	760,172	760,172	-
	\$ 14,347,075	\$ 14,480,082	\$ 133,007
	2022		
	Fair value	Cost	Cumulative Unrealized Depreciation
	\$	\$	\$
Mutual funds - equity	10,887,510	12,538,675	1,651,165
Interval funds - domestic	1,047,794	1,071,165	23,371
Exchange traded funds	183,049	216,517	33,468
Cash and cash equivalents	1,034,970	1,034,970	-
	\$ 13,153,323	\$ 14,861,327	\$ 1,708,004

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6. Investments (continued)

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended December 31, 2023 and 2022:

	2023	2022
Interest	\$ 1,124	\$ 2,025
Dividends	408,153	391,508
Realized gains (losses)	3,500	(9)
Unrealized gains (losses)	1,578,081	(2,608,750)
Investments expenses	41,266	48,615
Total investment income (loss)	\$ 2,032,124	\$ (2,166,611)

7. Funds held by others

A fund (the "Fund") was established at the Cleveland Foundation. Any individual or organization may make additions to this Fund with any gift, bequest or other transfer to the Cleveland Foundation. The purpose of the Fund is to support the programs and activities of RMHC NEO. Income earned on the Fund is distributed to RHMC NEO under the terms of the agreement. The balance at December 31, 2023 and 2022 was \$21,243 and \$18,439, respectively.

During 2022, the Lois J. and Larry Davis Ronald McDonald House Endowment Fund of the Jewish Federation of Cleveland (the "Davis Fund") was established with the purpose of providing an annual distribution to the Corporation for supporting two family hospitality rooms. The Davis Fund was funded with \$250,000. All decisions regarding distributions to the Corporation are made by the Jewish Federation of Cleveland in its sole discretion. As such the Corporation recognizes contributions as distributions are received from the Davis Fund and the fund has been excluded from the consolidated statement of financial position. As of December 31, 2023, no distributions were received from the Davis Fund.

8. Fixed assets

As of December 31, 2023 and 2022, the Organization's fixed assets consist of the following:

	2023	2022
Land	\$ 260,522	\$ 260,522
Vehicles	109,519	58,485
Buildings	29,509,702	29,400,226
Land improvements	531,204	467,501
Furniture and equipment	2,938,538	2,680,273
Total fixed assets	33,349,485	32,867,007
Less: accumulated depreciation	(11,310,385)	(10,313,275)
Net fixed assets	\$ 22,039,100	\$ 22,553,732

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9. Line of credit agreement

During the year ended December 31, 2022, RMHC NEO opened an unsecured bank line of credit totaling \$500,000, which is due on demand. The agreement requires interest on borrowing based on one percentage point under the Bank's prime rate. There were no borrowings on the line of credit for the years ended December 31, 2023 and 2022.

10. Notes payable

Notes payable consist of the following as of December 31,

	2023	2022
Western Reserve DF Affiliate VI, LLC Loan A-1: Beared interest at 1% per annum: interest only payments were due quarterly until June 1, 2023; at which point interest and principal payments of \$61,072 were due quarterly until maturity on September 30, 2046, secured by leasehold mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302	\$ -	\$ 5,013,750
Western Reserve DF Affiliate VI, LLC Loan B-1: Beared interest at 1% per annum: interest only payments were due quarterly until June 1, 2023; at which point interest and principal payments of \$52,717 were due quarterly until maturity on September 30, 2046, secured by leasehold mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302	-	2,111,250
CNMC SUB-CDE, LLC Loan A-2: Beared interest at 1% per annum: interest only payments were due quarterly until June 1, 2023; at which point interest and principal payments of \$19,276 were due quarterly until maturity on September 30, 2046, secured by leasehold mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302	-	1,582,603
CNMC SUB-CDE 107, LLC Loan B-2: Beared interest at 1% per annum: interest only payments were due quarterly until June 1, 2023; at which point interest and principal payments of \$11,954 were due quarterly until maturity on September 30, 2046, secured by leasehold mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302	-	981,397
Less: unamortized deferred financing fees	-	108,440
Notes payable, net of deferred financing costs	\$ -	\$ 9,580,560

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10. Notes payable (continued)

On July 6, 2023, the CDEs transferred their interest in the above notes to the Chase Fund which was acquired 100% by RMHC NEO. Upon this occurrence, RMHC NEO forgave the B-1 and B-2 Notes above. On December 31, 2023, in association with the dissolution of CFC, CFC transferred all of its net assets to RMHC NEO in settlement of the A-1 and A-2 Notes. As a result of these transactions, the Organization recognized forgiveness of debt income of \$3,092,647.

For each of the years ended December 31, 2023 and 2022, cash paid for interest and interest expense was \$49,989 and \$96,890, respectively. Deferred financing costs are being amortized to amortization expense over the term of the loan. During 2023 and 2022, amortization of the deferred financing costs was \$54,220 and \$115,617, respectively.

11. Leases

The Organization leases property pursuant to the Sublease Agreement dated December 31, 2023 (the “Lease Agreement”). The land on which the Akron Ronald McDonald House facilities are situated is leased from Children’s Hospital Medical Center of Akron under a long-term lease agreement. The current lease expires December 31, 2122, at which time the Organization can extend the lease term by exercising successive options for one-year periods. The agreement required the Organization to pay \$1 at the beginning of the lease term.

The balances for the operating leases are presented as follows on the consolidated financial statements of financial position as of December 31, 2023 and 2022:

	2023	2022
Operating leases:		
Operating lease right-of-use asset	\$ 23,946	\$ 39,832
Operating lease liability	\$ 23,946	\$ 39,832

Lease expense on the consolidated statements of activities for each of the years ended December 31, 2023 and 2022 was \$16,538 and \$12,845, respectively.

12. Employee retirement plan

Eligible employees of the Corporation may participate in a 401(k) plan. The plan is available to employees who have attained the age of 21 and completed six months of service for elective matching and one year of service for discretionary profit sharing. Employees may elect to contribute up to 80% of their compensation, not to exceed \$23,000 for the period from January 1, 2023 to December 31, 2023 and \$20,500 for the period from January 1, 2022 through December 31, 2022. The Corporation contributed to the plan on behalf of each participant, 50% of the participant’s elective contribution up to 5%. Effective January 1, 2016, the plan was amended to include a Safe Harbor non-elective contribution of 3% payable at the end of each plan year. The Board of Directors approved discretionary contributions to the plan of 3% in 2023 and 2022. Retirement plan expense for the years ended December 31, 2023 and 2022 was \$197,684 and \$178,771, respectively.

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13. Endowments

The Corporation is subject to the State of Ohio's 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 restriction. The Board of Directors of the Corporation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Corporation 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 Corporation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under law. Additionally, in accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

As of December 31, 2023 and 2022, endowment net assets consisted of the following:

	2023	2022
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,080,760	\$ 2,080,760
Accumulated investment gains	1,175,658	1,019,488
Total endowment funds	\$ 3,256,418	\$ 3,100,248

The Corporation's disclosure of the beginning and ending balances of the endowment fund, for the years ended December 31, 2023 and 2022 is as follows:

	With donor restriction
Endowments - January 1, 2022	\$ 4,075,999
Investment loss	(735,751)
Appropriations	(240,000)
Endowments - December 31, 2022	3,100,248
Investment income	456,170
Appropriations	(300,000)
Endowments - December 31, 2023	\$ 3,256,418

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13. Endowments (continued)

The Corporation has adopted an investment policy for endowment assets that attempts to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold 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 that is intended to produce results that exceed the price and yield results of a variety of indexes/benchmarks which includes the S&P 500 index while assuming a moderate level of investment risk. Long-term investment performance is expected to exceed the trailing three year average of the appropriate benchmark.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Corporation seeks to maximize the long-term total return of its financial assets consistent with its current and future funding needs. In line with these objectives, it is the intent of the Corporation that all income and capital gains generated in the portfolio to be retained within the endowment fund and periodically reinvested in accordance with the Investment Policy. However, if the Board of Directors elects to appropriate for expenditure income earned on its endowment funds, the calculation will be based on 5% of the three-year weighted average market values. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

14. Net assets

Net assets with donor restrictions consist of the following as of December 31:

	2023	2022
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Family Meal Program	\$ 400,000	\$ 157,790
Mahoning Valley WPA	2,401,201	2,535,252
Technology Upgrade	2,017	-
Capital Projects	129,841	388,470
Other	89,328	87,631
	\$ 3,022,387	\$ 3,169,143
Subject to RMHC NEO's spending policy and appropriation:		
Original donor-restricted gift amount and amounts required to be mainted in perpetuity by donor	2,080,760	2,080,760
Accumulated investment gains	1,175,658	1,019,488
	3,256,418	3,100,248
Total net assets with donor restriction	\$ 6,278,805	\$ 6,269,391

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15. Special events

Special events activity consists of the following for the years ended December 31, 2023 and 2022:

	2023		
	Revenue	Expense	Net
Pappy Van Winkle	\$ 207,687	\$ 19,276	\$ 188,411
Pro Am	442,149	167,697	274,452
Red Tie Affair	182,308	32,085	150,223
Pulling Together for Kids	102,163	4,399	97,764
Emerging Leaders	54,189	17,249	36,940
McDonald's golf outing	114,668	29,611	85,057
	\$ 1,103,164	\$ 270,317	\$ 832,847

	2022		
	Revenue	Expense	Net
Wine, Women & Shoes	\$ 243,552	\$ 79,485	\$ 164,067
Pro Am	419,120	172,723	246,397
Red Tie Affair	155,059	29,040	126,019
Pulling Together for Kids	106,442	5,364	101,078
Emerging Leaders	46,472	14,879	31,593
McDonald's golf outing	105,260	29,014	76,246
	\$ 1,075,905	\$ 330,505	\$ 745,400

16. In-kind contributions

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized in the consolidated statements of activities included:

	2023	2022
Art	\$ 220	\$ 1,275
Books and publications	-	390
Clothing and household goods	71,099	101,882
Appliances	-	5,358
Furniture, fixtures and equipment	6,058	277,687
Food	126,482	120,634
Furnishing	-	790
Services	31,602	58,973
Tickets and gifts	97,306	75,712
Toys	86,624	65,199
	\$ 419,391	\$ 707,900

For the years ended December 31, 2023 and 2022, in-kind contributions totaled \$419,391 and \$707,900, respectively. These amounts are reflected as in-kind expenses, except that the Corporation recognized contributed property, buildings and equipment of \$6,058 and \$277,687 for the years ended December 31, 2023 and 2022, respectively. The Corporation did not monetize any contributed nonfinancial assets and contributed nonfinancial assets did not have any donor restrictions during both the years ended December 31, 2023 and 2022.

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16. In-kind contributions (continued)

Donated goods: The Corporation received various forms of in-kind goods including art, books and publications, clothing and household goods, minor equipment, food, furniture, tickets and gifts, and toys. These items are used to defray program costs and aid families in their everyday needs whether they are staying at one of the two Ronald McDonald Houses or utilizing the hospital-based Family Rooms or STAR Programs. Donated food is also used by the volunteer groups who prepare home-cooked meals, boxed lunches, and breakfast bags for those utilizing our services. These items bring comfort and care to families when they need it most. These donated goods are valued and reported at estimated fair value in the consolidated financial statements based on current market rates for similar goods.

Donated services: The Corporation received donated professional services that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value. The estimated fair value is provided by the service provider, who estimates the fair value based on the date, time, and market in which each services is rendered.

Donated furniture, fixtures and equipment: The Corporation received donated furniture, fixtures and equipment such as building material, equipment and furniture, and fixtures. These donated items are used to improve the Corporation's facilities, which directly impact the level of service and care the families who use the services received and have come to depend on. Donated property, buildings and equipment is valued and reported at the estimated fair value based on current market rates for similar property, buildings and equipment.

Not reflected in the consolidated statements of activities as program service is the value of approximately 26,024 and 20,675 hours donated by more than 408 and 381 volunteers for the years ended December 31, 2023 and 2022, respectively, in order to further the charitable purpose of the Organization, Family rooms and STAR Programs. The value of these volunteer hours approximates \$827,563 and \$619,000 for the years ended December 31, 2023 and 2022, respectively.

17. Related parties

In connection with a licensing agreement effective April 28, 1998, McDonald's Corporation is the licensor of the Organization. As such, the Organization retained the right to use the McDonald's Corporation trademarks and related copyrights in connection with the operations and maintenance of the Organization and fundraising.

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 received \$11,961 and \$57,900 in general operating and restricted grant support and \$1,232,636 and \$969,026 from both McDonald's Owner/Operators of Northeast Ohio facilities and RMHC Global, as defined by the licensing agreement, during the years ended December 31, 2023 and 2022, respectively, which are recorded in the contributions on the consolidated statements of activities.

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18. Employee Retention Tax Credit

During 2023, the Corporation submitted to the Internal Revenue Service Amended Form 941-Xs: an Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund to the Internal Revenue Service ("IRS") and is expected to be eligible for refunds of Employee Retention Tax Credits ("ERTCs") in the amount of \$739,449 as part of the Coronavirus Aid, Relief and Economic Security Act (also known as the CARES ACT), which was signed into law intended to help mitigate the economic devastation caused by the coronavirus. This refundable tax credit is 50% of up to \$10,000 in wages paid to an employee by an eligible employer whose business has been financially impacted by COVID-19. As of December 31, 2023, the Corporation has received \$185,754 of ERTCs which are included in Employee Retention Tax Credit on the consolidated statement of activities and anticipates receiving additional ERTCs of approximately \$553,695. The Corporation believes it has substantially met the program requirements; however, it does not recognize revenue until the IRS has processed the requests and agreed to payment as this is the point where all barriers to realization have been overcome. As of December 31, 2023, no receivable was recorded for ERTCs on the consolidated statements of financial position.

19. Subsequent events

Subsequent events have been evaluated through May 23, 2024, which is the date the consolidated financial statements were available to be issued. The following is a summary of subsequent events through May 23, 2024.

The Corporation is in the process of finalizing an agreement with the Ohio Department of Medicaid in an amount up to \$825,000 for 2024 and \$825,000 for 2025 to support the lodging for families with children who have special health care needs.

SUPPLEMENTARY INFORMATION

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.
DETAILS OF STATEMENTS OF FINANCIAL POSITION
December 31, 2023

	Ronald McDonald House Charities® of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
ASSETS				
Cash and cash equivalents	\$ 1,737,858	\$ -	\$ -	\$ 1,737,858
Investments	14,347,075	-	-	14,347,075
Note receivable	-	-	-	-
Accounts receivable, net	442,957	-	-	442,957
Funds held by others	21,243	-	-	21,243
Fixed assets, net of accumulated depreciation	22,039,100	-	-	22,039,100
Right out use assets	23,946	-	-	23,946
Prepaid expenses	77,396	-	-	77,396
	<u>38,689,575</u>	<u>-</u>	<u>-</u>	<u>38,689,575</u>
Total assets	<u>\$ 38,689,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,689,575</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 466,955	\$ -	\$ -	\$ 466,955
Notes payable	-	-	-	-
Deferred financing costs	-	-	-	-
Operating lease liability	5,322	-	-	5,322
Non-current lease liability	18,624	-	-	18,624
Deferred revenue	86,161	-	-	86,161
Total liabilities	577,062	-	-	577,062
NET ASSETS				
Without donor restrictions	31,833,708	-	-	31,833,708
With donor restrictions	6,278,805	-	-	6,278,805
Total net assets	<u>38,112,513</u>	<u>-</u>	<u>-</u>	<u>38,112,513</u>
Total liabilities and net assets	<u>\$ 38,689,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,689,575</u>

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.
DETAILS OF STATEMENTS OF FINANCIAL POSITION
December 31, 2022

	Ronald McDonald House Charities® of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
ASSETS				
Cash and cash equivalents	\$ 1,888,197	\$ 32,129	\$ -	\$ 1,920,326
Investments	13,153,323	-	-	13,153,323
Note receivable	6,596,353	-	-	6,596,353
Accounts receivable, net	299,114	30,800	(25,223)	304,691
Funds held by others	18,439	-	-	18,439
Fixed assets, net of accumulated depreciation	11,590,736	10,962,996	-	22,553,732
Right out use assets	39,832	-	-	39,832
Prepaid expenses	63,910	-	-	63,910
	<u>33,649,904</u>	<u>11,025,925</u>	<u>(25,223)</u>	<u>44,650,606</u>
Total assets	<u>\$ 33,649,904</u>	<u>\$ 11,025,925</u>	<u>\$ (25,223)</u>	<u>\$ 44,650,606</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 499,812	\$ -	\$ (25,223)	\$ 474,589
Notes payable, net of deferred financing costs	-	9,580,560	-	9,580,560
Operating lease liability	5,216	-	-	5,216
Non-current lease liability	34,616	-	-	34,616
Deferred revenue	76,000	-	-	76,000
Total liabilities	<u>615,644</u>	<u>9,580,560</u>	<u>(25,223)</u>	<u>10,170,981</u>
NET ASSETS				
Without donor restrictions	26,764,869	1,445,365	-	28,210,234
With donor restrictions	<u>6,269,391</u>	<u>-</u>	<u>-</u>	<u>6,269,391</u>
Total net assets	<u>33,034,260</u>	<u>1,445,365</u>	<u>-</u>	<u>34,479,625</u>
Total liabilities and net assets	<u>\$ 33,649,904</u>	<u>\$ 11,025,925</u>	<u>\$ (25,223)</u>	<u>\$ 44,650,606</u>

See report of independent auditors

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

DETAILS OF STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Ronald McDonald			
	House Charities® of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
NET ASSETS				
REVENUE AND OTHER SUPPORT				
In-kind	\$ 419,391	\$ -	\$ -	\$ 419,391
Contributions	4,116,554	-	-	4,116,554
Special events, net	832,847	-	-	832,847
Annual fund	815,744	-	-	815,744
Contributions - related party	527,143	-	(527,143)	-
Rental income - other	161,351	-	-	161,351
Rental income - related party	-	577,588	(577,588)	-
Other income	8,240	-	-	8,240
Employee Retention Tax Credit	<u>185,754</u>	<u>-</u>	<u>-</u>	<u>185,754</u>
 Total revenue and other support	 7,067,024	 577,588	 (1,104,731)	 6,539,881
EXPENDITURES				
Program services	6,689,644	468,843	(1,104,731)	6,053,756
Management and general	790,126	52,170	-	842,296
Fundraising	<u>980,213</u>	<u>-</u>	<u>-</u>	<u>980,213</u>
Total expenditures	8,459,982	521,013	(1,104,731)	7,876,264
 Change in net assets from operations	 (1,392,958)	 56,575	 -	 (1,336,383)
NONOPERATING ACTIVITIES				
Interest and dividends, net	438,642	120	-	438,762
Interest expense	-	(49,989)	-	(49,989)
Realized and unrealized gains on investments	1,581,581	-	-	1,581,581
Loss on cancellation of debt	(34,957)	-	-	(34,957)
Forgiveness of debt income	-	3,092,647	-	3,092,647
Loss on debt extinguishment	-	(54,220)	-	(54,220)
Loss on fixed assets	(4,553)	-	-	(4,553)
Gain (loss) on liquidation	<u>3,975,066</u>	<u>(3,975,066)</u>	<u>-</u>	<u>-</u>
Total nonoperating activities	<u>5,955,779</u>	<u>(986,508)</u>	<u>-</u>	<u>4,969,271</u>
 CHANGE IN NET ASSETS	 4,562,821	 (929,933)	 -	 3,632,888
 NET ASSETS AT BEGINNING OF YEAR	 28,210,234	 6,269,391	 -	 34,479,625
 Transfer of net assets	 <u>5,339,458</u>	 <u>(5,339,458)</u>	 <u>-</u>	 <u>-</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 38,112,513</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 38,112,513</u>

See report of independent auditors

RONALD MCDONALD HOUSE CHARITIES® OF NORTHEAST OHIO, INC.

DETAILS OF STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Ronald McDonald House Charities® of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
NET ASSETS				
REVENUE AND OTHER SUPPORT				
In-kind	\$ 707,900	\$ -	\$ -	\$ 707,900
Contributions	4,010,506	-	-	4,010,506
Special events, net	745,400	-	-	745,400
Annual fund	839,496	-	-	839,496
Contributions - related party	476,698	-	(476,698)	-
Rental income - other	168,855	-	-	168,855
Rental income - related party	-	576,588	(576,588)	-
Other income	23,568	-	-	23,568
Employee Retention Tax Credit	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue and other support	6,972,423	576,588	(1,053,286)	6,495,725
EXPENDITURES				
Program services	5,748,874	1,030,110	(1,053,286)	5,725,698
Management and general	657,681	63,726	-	721,407
Fundraising	1,107,929	59	-	1,107,988
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	7,514,484	1,093,895	(1,053,286)	7,555,093
Change in net assets from operations	(542,061)	(517,307)	-	(1,059,368)
NONOPERATING ACTIVITIES				
Interest and dividends, net	442,414	39	-	442,453
Interest expense	-	(96,890)	-	(96,890)
Realized and unrealized losses on investments	(2,608,759)	-	-	(2,608,759)
Loss on fixed assets	(61,302)	-	-	(61,302)
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating activities	(2,227,647)	(96,851)	-	(2,324,498)
CHANGE IN NET ASSETS	(2,769,708)	(614,158)	-	(3,383,866)
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>
	35,803,968	2,059,523	-	37,863,491
NET ASSETS AT END OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 33,034,260	\$ 1,445,365	\$ -	\$ 34,479,625

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