

FINANCIAL STATEMENTS

RONALD McDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities
of Northwest Florida, Inc.
Pensacola, Florida

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northwest Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Northwest Florida, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Northwest Florida, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of Northwest Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Northwest Florida, 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.

Brown Thornton
Pace & Co

Pensacola, Florida
August 30, 2023

STATEMENTS OF FINANCIAL POSITION

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

December 31, 2022 and 2021

| <u>ASSETS</u> | | |
|--|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 532,256 | \$ 761,729 |
| Prepaid expenses | 34,508 | 38,890 |
| Unconditional promises to give, net | 45,125 | 91,876 |
| Employee retention credit receivable | 180,645 | 180,645 |
| Cash surrender value of life insurance | 14,057 | 14,626 |
| Investments | 2,722,328 | 3,126,100 |
| Operating lease right-of-use asset | 16,044 | - |
| Property and equipment, net | 3,261,747 | 3,269,518 |
| Construction in progress | - | 57,760 |
| Deposits | <u>2,000</u> | <u>2,000</u> |
| Total assets | <u>\$ 6,808,710</u> | <u>\$ 7,543,144</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Accounts payable | \$ 15,124 | \$ 54,259 |
| Accrued payroll | 10,740 | 30,840 |
| Accrued compensated absences | 35,211 | 38,071 |
| Operating lease liability | <u>16,422</u> | <u>-</u> |
| Total liabilities | <u>77,497</u> | <u>123,170</u> |
| NET ASSETS | | |
| Without donor restriction | 5,584,838 | 6,225,635 |
| With donor restriction | <u>1,146,375</u> | <u>1,194,339</u> |
| Total net assets | <u>6,731,213</u> | <u>7,419,974</u> |
| Total liabilities and net assets | <u>\$ 6,808,710</u> | <u>\$ 7,543,144</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2022

| | Net Assets Without Restriction | Net Assets With Donor Restriction | Total |
|--|--------------------------------------|---|---------------------|
| Change in net assets | | | |
| Public support and revenue | | | |
| Contributions of cash and other financial assets | \$ 816,581 | \$ 35,000 | \$ 851,581 |
| Contributions of nonfinancial assets | 427,014 | - | 427,014 |
| Special events revenue | 147,676 | - | 147,676 |
| Less direct benefits costs | <u>(39,746)</u> | <u>-</u> | <u>(39,746)</u> |
| Net revenue from special events | 107,930 | - | 107,930 |
| Net assets released from restriction | <u>82,964</u> | <u>(82,964)</u> | <u>-</u> |
| Total revenues and other support | 1,434,489 | (47,964) | 1,386,525 |
| Expenses | | | |
| Program services | 1,448,776 | - | 1,448,776 |
| Supporting services: | | | |
| General and administrative | 84,288 | - | 84,288 |
| Fundraising | <u>112,866</u> | <u>-</u> | <u>112,866</u> |
| Total expenses | <u>1,645,930</u> | <u>-</u> | <u>1,645,930</u> |
| Change in net assets from operations | (211,441) | (47,964) | (259,405) |
| Investment income, net | <u>(429,356)</u> | <u>-</u> | <u>(429,356)</u> |
| Change in net assets | (640,797) | (47,964) | (688,761) |
| Net assets, beginning of year | <u>6,225,635</u> | <u>1,194,339</u> | <u>7,419,974</u> |
| Net assets, end of year | <u>\$ 5,584,838</u> | <u>\$ 1,146,375</u> | <u>\$ 6,731,213</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2021

| | Net Assets Without Restriction | Net Assets With Donor Restriction | Total |
|--|--------------------------------------|---|---------------------|
| Change in net assets | | | |
| Public support and revenue | | | |
| Contributions of cash and other financial assets | \$ 894,180 | \$ 50,000 | \$ 944,180 |
| Forgiveness of PPP loan | 147,576 | - | 147,576 |
| Contributions of nonfinancial assets | 327,698 | - | 327,698 |
| Employee retention credit | 180,645 | - | 180,645 |
| Special events revenue | 133,586 | - | 133,586 |
| Less direct benefits costs | <u>(25,330)</u> | <u>-</u> | <u>(25,330)</u> |
| Net revenue from special events | 108,256 | - | 108,256 |
| Net assets released from restriction | <u>79,042</u> | <u>(79,042)</u> | <u>-</u> |
| Total revenues and other support | 1,737,397 | (29,042) | 1,708,355 |
| Expenses | | | |
| Program services | 1,327,518 | - | 1,327,518 |
| Supporting services: | | | |
| General and administrative | 77,675 | - | 77,675 |
| Fundraising | <u>154,548</u> | <u>-</u> | <u>154,548</u> |
| Total expenses | <u>1,559,741</u> | <u>-</u> | <u>1,559,741</u> |
| Change in net assets from operations | <u>177,656</u> | <u>(29,042)</u> | <u>148,614</u> |
| Investment income, net | <u>350,545</u> | <u>-</u> | <u>350,545</u> |
| Change in net assets | 528,201 | (29,042) | 499,159 |
| Net assets, beginning of year | <u>5,697,434</u> | <u>1,223,381</u> | <u>6,920,815</u> |
| Net assets, end of year | <u>\$ 6,225,635</u> | <u>\$ 1,194,339</u> | <u>\$ 7,419,974</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2022

| | Program Services | | | Supporting Services | | | |
|--------------------------------------|-----------------------------|-----------------------------------|------------------------------|-------------------------------|-------------------|---------------------------------|---------------------|
| | Ronald McDonald House | Ronald McDonald Family Room | Total Program Expenses | General and Administrative | Fund- Raising | Total Supporting Services | Total Expenses |
| Personnel costs: | | | | | | | |
| Salaries | \$ 284,578 | \$ 153,234 | \$ 437,812 | \$ 32,836 | \$ 76,617 | \$ 109,453 | \$ 547,265 |
| Fringe benefits and taxes | <u>64,540</u> | <u>34,752</u> | <u>99,292</u> | <u>7,447</u> | <u>17,376</u> | <u>24,823</u> | <u>124,115</u> |
| Total personnel costs | 349,118 | 187,986 | 537,104 | 40,283 | 93,993 | 134,276 | 671,380 |
| Non-personnel costs: | | | | | | | |
| Audit and professional services | 28,932 | 15,579 | 44,511 | 3,895 | 7,233 | 11,128 | 55,639 |
| Bank charges | 5,408 | - | 5,408 | - | - | - | 5,408 |
| Depreciation | 96,900 | 49,918 | 146,818 | - | - | - | 146,818 |
| Direct mail | - | - | - | 39,541 | - | 39,541 | 39,541 |
| Equipment leasing | 8,096 | - | 8,096 | - | - | - | 8,096 |
| Family services | 4,548 | 2,343 | 6,891 | - | - | - | 6,891 |
| Grant writing | - | - | - | - | 10,584 | 10,584 | 10,584 |
| House maintenance | 63,218 | - | 63,218 | - | - | - | 63,218 |
| House supplies | 11,075 | 112 | 11,187 | - | - | - | 11,187 |
| In-kind supplies | 427,014 | - | 427,014 | - | - | - | 427,014 |
| Insurance | 36,815 | 751 | 37,566 | - | - | - | 37,566 |
| Interest | - | - | - | - | - | - | - |
| Marketing and promotions | 4,180 | 2,154 | 6,334 | - | - | - | 6,334 |
| Office | 9,649 | - | 9,649 | - | - | - | 9,649 |
| Office supplies | 1,417 | 764 | 2,181 | 191 | 355 | 546 | 2,727 |
| Postage | 1,245 | 670 | 1,915 | 168 | 311 | 479 | 2,394 |
| Printing | 2,123 | 1,093 | 3,216 | - | - | - | 3,216 |
| Provision for uncollectible accounts | 10,635 | - | 10,635 | - | - | - | 10,635 |
| Technology | 38,850 | - | 38,850 | - | - | - | 38,850 |
| Training | 1,560 | 840 | 2,400 | 210 | 390 | 600 | 3,000 |
| Travel - conference | 1,508 | 848 | 2,356 | - | - | - | 2,356 |
| Travel | 567 | 319 | 886 | - | - | - | 886 |
| Utilities | <u>82,541</u> | <u>-</u> | <u>82,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>82,541</u> |
| Total non-personnel costs | <u>836,281</u> | <u>75,391</u> | <u>911,672</u> | <u>44,005</u> | <u>18,873</u> | <u>62,878</u> | <u>974,550</u> |
| Total expenses | <u>\$ 1,185,399</u> | <u>\$ 263,377</u> | <u>\$ 1,448,776</u> | <u>\$ 84,288</u> | <u>\$ 112,866</u> | <u>\$ 197,154</u> | <u>\$ 1,645,930</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2021

| | Program Services | | | Supporting Services | | | |
|--------------------------------------|-----------------------------|-----------------------------------|------------------------------|-------------------------------|-------------------|---------------------------------|---------------------|
| | Ronald McDonald House | Ronald McDonald Family Room | Total Program Expenses | General and Administrative | Fund- Raising | Total Supporting Services | Total Expenses |
| Personnel costs: | | | | | | | |
| Salaries | \$ 285,675 | \$ 154,265 | \$ 439,940 | \$ 34,281 | \$ 97,130 | \$ 131,411 | \$ 571,351 |
| Fringe benefits and taxes | 74,773 | 40,377 | 115,150 | 8,973 | 25,423 | 34,396 | 149,546 |
| Total personnel costs | 360,448 | 194,642 | 555,090 | 43,254 | 122,553 | 165,807 | 720,897 |
| Non-personnel costs: | | | | | | | |
| Audit and professional services | 28,730 | 4,701 | 33,431 | 1,045 | 17,760 | 18,805 | 52,236 |
| Bank charges | 5,895 | - | 5,895 | - | - | - | 5,895 |
| Depreciation | 96,586 | 49,756 | 146,342 | - | - | - | 146,342 |
| Direct mail | - | - | - | 31,392 | - | 31,392 | 31,392 |
| Equipment leasing | 7,622 | - | 7,622 | - | - | - | 7,622 |
| Family services | 8,771 | 4,519 | 13,290 | - | - | - | 13,290 |
| Grant writing | - | - | - | - | 13,440 | 13,440 | 13,440 |
| House maintenance | 86,809 | - | 86,809 | - | - | - | 86,809 |
| House supplies | 4,728 | - | 4,728 | - | - | - | 4,728 |
| In-kind supplies | 327,698 | - | 327,698 | - | - | - | 327,698 |
| Insurance | 34,494 | 742 | 35,236 | 1,855 | - | 1,855 | 37,091 |
| Interest | 774 | 398 | 1,172 | - | - | - | 1,172 |
| Marketing and promotions | 2,523 | 1,300 | 3,823 | - | - | - | 3,823 |
| Office | 8,369 | - | 8,369 | - | - | - | 8,369 |
| Office supplies | 2,749 | - | 2,749 | - | - | - | 2,749 |
| Postage | 1,072 | 579 | 1,651 | 129 | 364 | 493 | 2,144 |
| Printing | 3,279 | 1,689 | 4,968 | - | - | - | 4,968 |
| Provision for uncollectible accounts | - | - | - | - | - | - | - |
| Technology | 28,518 | - | 28,518 | - | - | - | 28,518 |
| Training | 86 | 45 | 131 | - | - | - | 131 |
| Travel - conference | 28 | 14 | 42 | - | 431 | 431 | 473 |
| Travel | 84 | - | 84 | - | - | - | 84 |
| Utilities | 59,870 | - | 59,870 | - | - | - | 59,870 |
| Total non-personnel costs | 708,685 | 63,743 | 772,428 | 34,421 | 31,995 | 66,416 | 838,844 |
| Total expenses | <u>\$ 1,069,133</u> | <u>\$ 258,385</u> | <u>\$ 1,327,518</u> | <u>\$ 77,675</u> | <u>\$ 154,548</u> | <u>\$ 232,223</u> | <u>\$ 1,559,741</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (688,761) | \$ 499,159 |
| Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities: | | |
| Depreciation and amortization | 146,818 | 146,342 |
| Net realized and unrealized (gain) loss on investments | 480,130 | (365,916) |
| Provision for uncollectible pledge | 10,000 | - |
| Cash surrender value of life insurance | 569 | 209 |
| (Increase) decrease in operating assets: | | |
| Prepaid expenses | 4,382 | (14,522) |
| Unconditional promises to give | 36,751 | 80,255 |
| Employee retention receivable | - | (180,645) |
| Operating lease asset | (16,044) | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (39,135) | 39,546 |
| Accrued payroll | (20,100) | 30,840 |
| Accrued compensated absences | (2,860) | (7,356) |
| Operating lease liabilities | <u>16,422</u> | <u>-</u> |
| Net cash provided by (used by) operating activities | (71,828) | 227,912 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (417,363) | (597,223) |
| Proceeds from sale of investments | 341,005 | 460,591 |
| Acquisition of property and equipment and projects in progress | <u>(81,287)</u> | <u>(70,846)</u> |
| Net cash provided by (used by) investing activities | (157,645) | (207,478) |
| NET INCREASE (DECREASE) IN CASH | (229,473) | 20,434 |
| Cash, beginning of year | <u>761,729</u> | <u>741,295</u> |
| Cash, end of year | <u>\$ 532,256</u> | <u>\$ 761,729</u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE A - ORGANIZATION

Ronald McDonald House Charities of Northwest Florida, Inc. (the Organization) is a Florida nonprofit charitable corporation formed in 1981 under the name Gulf Coast Children's Medical Foundation, Inc. The mission of Ronald McDonald House Charities (RMHC) is to create, find, and support programs that directly improve the health and well-being of children. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage, and we operate with accountability and transparency.

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

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Pensacola, Florida, 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.

Family Room

During 2019, the Organization opened a new facility located inside a children's hospital in Pensacola, Florida to allow families to stay in the hospital, right near their ill or injured child. The occupancy is donated from the hospital, while the facility and operations are supported by donations. The location has three bedrooms, a family room, a full kitchen, and a playroom.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting. Thus, revenues are recognized when services have been performed, and expenses are recognized when a liability has been incurred.
2. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
3. Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets.

Net Assets Without Donor Restrictions - not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations.

4. Cash and Cash Equivalents - For the purposes of the statements of cash flows, management considers all highly liquid investment instruments with an original maturity when purchased of three months or less to be cash equivalents.
5. Contributions Receivable - Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

6. Program Revenue - Revenue related to exchange transactions is recognized as goods and/or services are provided and is based on the amount expected to be received in exchange for those goods and/or services. The Organization recognizes client service revenue in the period in which performance obligations under its contracts are satisfied by transferring services to clients. There were no contract receivables and liabilities at December 31, 2022, 2021, or 2020.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Organization maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

8. Fair Value of Financial Investments - Investments are measured at fair value by the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and has the highest priority; Level 2 consists of observable inputs other than quoted prices for identical assets; and Level 3 consists of significant unobservable inputs and has the lowest priority. The Organization measures fair value using Level 1 and Level 2 inputs.

Changes in the value of remeasurement are recorded in the period remeasured.

9. 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 \$1,000 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 assets as follows:

| | |
|----------------------------|--------------|
| Buildings and improvements | 7 - 40 years |
| Furniture and fixtures | 3 - 10 years |
| Equipment | 3 - 7 years |

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Contributions - Contributions are recorded depending on the existence and/or nature of any donor-imposed stipulations and/or restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. When restrictions are met in the same period as the contribution is received, the Organization records the contribution revenue as increase in net assets without donor restrictions.
11. In-Kind Contributions - 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 unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

During the year ended December 31, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirement around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of additional disclosures.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

In-kind contributions received for the years ended December 31, 2022 and 2021 were \$427,014 and \$327,698, respectively. This includes donated services totaling \$143,960 and \$97,638 for the years ended December 31, 2022 and 2021, respectively, and are included in the Ronald McDonald House program expenses.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Allocation of Functional Expenses - Costs are charged to program services and management and generally based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on management estimates.
13. Income Taxes - Ronald McDonald House Charities of Northwest Florida, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Therefore, no provision for income taxes is recorded.

The Organization believes that any tax positions it has taken or expects to take that are more-likely-than-not sustainable, as described in the Codification, would not be material to the financial statements taken as a whole. Accordingly, no liability has been provided for unrecognized tax benefits, nor has any interest or penalty been accrued.

The Organization's information and tax returns for the years ended December 31, 2019 through 2022 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

14. Recent Financial Accounting Pronouncements - Effective January 1, 2022, the Organization adopted ASU 2016-02, Leases (Topic 842) which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than twelve months. The Organization reflected the impact of initially adopting ASC 842 as of the beginning of the year of adoption; therefore, prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 had a material impact on the statement of financial position but did not have a significant impact on the statement of activities and statement of cash flows. There were no changes in net assets as a result of the adoption on January 1, 2022. The most significant impact was the recognition of right-of-use assets under operating leases and operating lease liabilities for operating leases.

The Organization elected the available practical expedients to account for its existing leases under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Comparative Financial Information - Certain accounts and activities in the prior year information have been reclassified to conform to the presentation in the current year financial statements.
16. Events Occurring After the Reporting Date - The Organization has evaluated events and transactions that occurred between December 31, 2022 and August 30, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Certain accounts and activities in the prior year information have been reclassified to conform to the presentation in the current year financial statements.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2022 and 2021, consist of the following:

| | 2022 | 2021 |
|----------------------------------|----------------------|----------------------|
| Amounts due in: | | |
| Less than one year | \$ 55,515 | \$ 56,515 |
| One to five years | - | 48,874 |
| More than five years | - | - |
| Total | 55,515 | 105,389 |
| Unamortized discount | (2,290) | (5,613) |
| Allowance for uncollectibles | (8,100) | (7,900) |
| Net contributions receivable | <u>\$ 45,125</u> | <u>\$ 91,876</u> |

Long-term promises to give are recognized at fair value, using present value techniques and discount rates ranging from 1.5% to 2.5% for the years ended December 31, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE D - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are 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.

FASB Standards Codification 820, *Fair Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. There were no Level 3 inputs during the years ended December 31, 2022 and 2021.

Investments in debt securities and certain equity securities are measured at fair value based on the quoted market price using Level 1 inputs. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by the donor, and dividends, interest, and other investment income is reported in the period earned as increases in unrestricted net assets, unless donor-imposed restrictions apply.

The fair value of the cash surrender value of life insurance is the amount that may be realized upon the discontinuance and surrender of the contract before maturity and are classified as Level 2.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2022 and 2021, are as follows:

| | Fair Value | Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1) | Fair Value Measurement Using Significant Other Observable Inputs (Level 2) |
|--|----------------------------|---|--|
| December 31, 2022 | | | |
| Investments: | | | |
| Bond funds | \$ 1,121,490 | \$ 1,121,490 | \$ - |
| Equity funds | 600,771 | 600,771 | - |
| Exchange traded funds | 998,068 | 998,068 | - |
| Equities | 1,999 | 1,999 | - |
| Cash surrender value of life insurance | <u>14,057</u> | <u>-</u> | <u>14,057</u> |
| | <u><u>\$ 2,736,385</u></u> | <u><u>\$ 2,722,328</u></u> | <u><u>\$ 14,057</u></u> |
| December 31, 2021 | | | |
| Investments: | | | |
| Bond funds | \$ 1,195,672 | \$ 1,195,672 | \$ - |
| Equity funds | 754,795 | 754,795 | - |
| Exchange traded funds | 1,172,838 | 1,172,838 | - |
| Equities | 2,795 | - | - |
| Cash surrender value of life insurance | <u>14,626</u> | <u>-</u> | <u>14,626</u> |
| | <u><u>\$ 3,140,726</u></u> | <u><u>\$ 3,123,305</u></u> | <u><u>\$ 14,626</u></u> |

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Cost, fair value, and unrealized gains (losses) from acquisition until December 31, 2022 and 2021 for assets held as investments are summarized as follows:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gains (Losses)</u> |
|--|----------------------------|----------------------------|--------------------------------------|
| December 31, 2022 | | | |
| Investments: | | | |
| Bond funds | \$ 1,208,093 | \$ 1,121,490 | \$ (86,603) |
| Equity funds | 525,845 | 600,771 | 74,926 |
| Exchange traded funds | 711,915 | 998,068 | 286,153 |
| Equities | 376 | 1,999 | 1,623 |
| Cash surrender value of life insurance | <u>14,057</u> | <u>14,057</u> | <u>-</u> |
| | <u><u>\$ 2,460,286</u></u> | <u><u>\$ 2,736,385</u></u> | <u><u>\$ 276,099</u></u> |
| December 31, 2021 | | | |
| Investments: | | | |
| Bond funds | \$ 1,215,206 | \$ 1,195,672 | \$ (19,534) |
| Equity funds | 529,818 | 754,795 | 224,977 |
| Exchange traded funds | 670,703 | 1,172,838 | 502,135 |
| Equities | 282 | 2,795 | 2,513 |
| Cash surrender value of life insurance | <u>14,626</u> | <u>14,626</u> | <u>-</u> |
| | <u><u>\$ 2,430,635</u></u> | <u><u>\$ 3,140,726</u></u> | <u><u>\$ 710,091</u></u> |

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 767,725 | \$ 767,725 |
| Buildings and improvements | 3,396,965 | 3,378,128 |
| Furniture and fixtures | 306,761 | 303,635 |
| Equipment | <u>343,350</u> | <u>226,266</u> |
| | 4,814,801 | 4,675,754 |
| Less accumulated depreciation | <u>(1,553,054)</u> | <u>(1,406,236)</u> |
| | <u>\$ 3,261,747</u> | <u>\$ 3,269,518</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 was \$146,818 and \$146,342, respectively.

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time, such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. As of December 31, 2022, none of the Organization's long-lived assets were considered to be materially impaired.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the Endowment and H2H Campaign for the years ended December 31, 2022 and 2021 totaled \$1,146,375 and \$1,194,339, respectively.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE G - ENDOWMENTS

The Organization received a gift in 1993 to create an endowment to be held in perpetuity for the benefit of Ronald McDonald House Charities of Northwest Florida, Inc. The gift instrument restricts the income to be used for operating expenses of the Organization.

The Organization received a \$25,000 gift in 2007 to create an endowment to be held in perpetuity and the income therefrom to fund interns and volunteer training through the Lisa Sawyer Memorial Internship and Volunteer Program.

During 2014, the Organization received a pledge in the amount of \$500,000 to create a permanent endowment fund. The pledge was paid over a five-year period and ended in January 2020. The pledge was originally recorded at the fair value of \$301,189 using the present value technique (see Note C). The Organization received \$93,000 during the year ended December 31, 2019, which is held in a separate investment account. Endowment contributions were \$0 and \$50,000 for the years ended December 31, 2022 and 2021. The income therefrom is to be used for the Organization's charitable purposes.

The Organization has adopted investment policies for endowment assets. Under these policies, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization has adopted spending policies that include appropriating investment income earned on endowment assets, excluding unrealized gains and losses, for expenditure.

The composition and changes in endowment net assets for the years ended December 31, 2022 and 2021, are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Endowments: | | |
| Endowment net assets, beginning of year | \$ 1,101,250 | \$ 1,051,250 |
| Contributions | - | 50,000 |
| Investment income, net | 47,964 | 79,042 |
| Amounts appropriated | <u>(47,964)</u> | <u>(79,042)</u> |
| Endowment net assets, end of year | <u>\$ 1,101,250</u> | <u>\$ 1,101,250</u> |

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE H – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

| | <u>2022</u> | <u>2021</u> |
|--------------------|-------------------|-------------------|
| Clothing | \$ 33,543 | \$ 19,217 |
| Food | 94,540 | 81,711 |
| Household supplies | 107,732 | 76,838 |
| Services | 143,960 | 96,653 |
| Toys | <u>47,239</u> | <u>53,279</u> |
| | <u>\$ 427,014</u> | <u>\$ 327,698</u> |

The Organization recognized contributed nonfinancial assets within revenue, including house supplies, food, clothing, toys, and services. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions. Contributed supplies, clothing, and toys were utilized in the Ronald McDonald House program. Contributed services were consisted of repairs, rent, landscaping, and waste services and are included in program services for the years ended December 31, 2022 and 2021.

NOTE I - PAYCHECK PROTECTION PROGRAM CONTRIBUTION

The Organization received an SBA loan for \$149,757 from CenterState Bank in April 2020. The interest rate was 1%. The term of the loan was 24 months with the first six months of principal and interest payments deferred with interest accruing. The loan was made pursuant to the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act. The balance was forgiven in full in 2021.

The Organization received an SBA loan for \$145,468 from SouthState Bank in February 2021. The interest rate is 1%. The term of the loan is 60 months with the first ten months of principal and interest payments deferred with interest accruing. The loan was made pursuant to the Paycheck Protection Program as part of the Consolidated Appropriations Act. The loan was forgiven, in full, in September 2021.

The Organization followed *FASB ASC 958-605* to account for the PPP funds as a conditional contribution. During the years ended December 31, 2021 and 2020, the Organization recognized contribution revenue as it incurred qualifying PPP expenses; the Organization reported \$147,576 and \$150,829 of revenues on the Statement of Activities for the years ended December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE J - LEASES

The Organization recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or for leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

In 2019, the Organization entered into an equipment lease under a thirty-six-month operating lease requiring annual rental payments of \$7,416, through September 2022.

In November 2022, the Organization entered into an equipment lease under a thirty-six-month operating lease requiring annual rental payments of \$6,030, expiring October 2025.

Right-of-use assets obtained in exchange for new operating lease liabilities during 2022 totaled \$16,422.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31, 2022:

| | <u>2022</u> |
|---------------------------------------|------------------|
| Operating Leases: | |
| Operating lease right-of-use assets | <u>\$ 16,044</u> |
| Operating lease current liabilities | \$ 5,802 |
| Operating lease long-term liabilities | <u>10,620</u> |
| Total operating lease liabilities | <u>\$ 16,422</u> |

The weighted average remaining lease term, weighted average discount rate, and related information as of December 31, 2022 are as follows:

| | <u>2022</u> |
|---------------------------------------|------------------|
| | <u>Operating</u> |
| | <u>Leases</u> |
| Average monthly payment | \$ 502 |
| Weighted-average remaining lease term | 34 |
| Weighted-average discount rate | 4.63% |
| Total right to use lease asset | \$ 16,044 |
| Total right to use lease liability | \$ 16,422 |
| Total cash paid | \$ 1,005 |

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE J - LEASES (Continued)

At December 31, 2022, the Organization was obligated for minimum rental payments under operating leases having remaining terms in excess of one year for each of the next five years and in the aggregate as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Operating</u> |
|---|------------------|
| 2023 | \$ 6,030 |
| 2024 | 6,030 |
| 2025 | 5,025 |
| 2026 | - |
| 2027 | - |
| Thereafter | - |
| Total undiscounted cash flows | 17,085 |
| Less: present value discount | <u>(663)</u> |
| Total lease liabilities | <u>\$ 16,422</u> |

Future minimum lease payments under operating leases having initial terms in excess of one year at December 31, 2021, under previous accounting guidance under ASC 840 were \$5,562 for the year ending December 31, 2022; none thereafter.

Rental expense for the Organization totaled \$8,096, including operating lease costs from new leases entered into during 2022 of \$1,005, for the year ended December 31, 2022. Rental expenses for the Organization totaled \$7,622 for the year ended December 31, 2021.

The Organization also leases equipment and software used in operations on a month-to-month or as needed basis.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE K – SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES

In 2017, the Organization established a 401(k) plan that covers all employees of the Organization who are at least age 21 and have worked at least 1,000 hours of service from the 12-month period from July 15 through the next following July 14. Employees may elect to make voluntary contributions to the Plan. The Organization made a 3% matching contribution to each eligible participants' 401(k) account. For the years ended December 31, 2022 and 2021, the Organization contributed \$13,826 and \$14,350 to the Plan.

NOTE L - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and trade accounts receivable. The Organization maintains its cash at several local financial institutions. Deposits are insured up to \$250,000 per depositor, by the Federal Deposit Insurance Corporation (FDIC). The Organization had an uninsured cash balance totaling \$47,928 at December 31, 2022.

NOTE M - RELATED PARTY

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 remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2022 and 2021, the Organization received \$134,479 and \$122,319, respectively, from these revenue streams.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE N - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2022. However, amounts already appropriated from the donor-restricted contributions for general expenditures within one year of December 31, 2022, have not been subtracted as unavailable.

| | |
|---|---------------------|
| Financial assets, at year-end | \$ 3,494,411 |
| Less those unavailable for general expenditures within one year, due to: | |
| Subject to satisfaction of donor restrictions | <u>(1,146,375)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,348,036</u> |

The Organization at times receives restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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.

NOTE O - COVID-19

The COVID-19 outbreak in the United States caused disruption of operations through mandated and voluntary closings of businesses and issued stay at home order for individuals during the year. While the disruption was temporary, there is considerable uncertainty surrounding the long-term operating effects on the Organization. The House remained closed for several months during 2020. During that time, the Organization covered hotel accommodations for families to stay close to their children receiving care nearby. The Organization continued to cover hotel accommodations for families as operations return to normal in phases in 2021. The House returned to normal operation in July 2022.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE P - PRIOR PERIOD REVISION FOR EMPLOYEE RETENTION CREDIT

During 2022, the Organization filed 2021 amended Forms 941 to claim the Employee Retention Credit (ERC), for eligible quarters, pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Claims made under the CARES Act may also be subject to retroactive audit and review. The Organization claimed a total of \$180,645 during 2022 for the 2021 ERC. The Organization's leasing company has filed amended payroll returns to claim the credit. The Organization expects to receive these funds during 2023.

A revision to the prior period was made to the financial statements for the year ended December 31, 2021, as presented, to report contribution revenues of \$180,645 on the statement of activities and to record the related receivable, following the revenue recognition standard under ASC Topic 958-605.

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