

FINANCIAL STATEMENTS

**RONALD McDONALD HOUSE CHARITIES OF
NORTHWEST FLORIDA, INC.**

DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Northwest Florida, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 & Rooten Account Company, P.A.

Pensacola, Florida
August 13, 2024

STATEMENTS OF FINANCIAL POSITION
RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

December 31, 2023 and 2022

<u>ASSETS</u>		
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 824,083	\$ 532,256
Contribution receivables, net	32,650	-
Prepaid expenses	50,263	34,508
Unconditional promises to give, net	5,813	45,125
Employee retention credit receivable	37,511	180,645
Cash surrender value of life insurance	13,388	14,057
Investments	3,106,832	2,722,328
Operating lease right-of-use asset	10,620	16,044
Property and equipment, net	3,120,167	3,261,747
Deposits	<u>2,000</u>	<u>2,000</u>
Total assets	<u><u>\$ 7,203,327</u></u>	<u><u>\$ 6,808,710</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 14,753	\$ 15,124
Accrued payroll	54,834	10,740
Accrued compensated absences	38,841	35,211
Operating lease liability	<u>10,998</u>	<u>16,422</u>
Total liabilities	<u>119,426</u>	<u>77,497</u>
 NET ASSETS		
Without donor restriction	5,784,188	5,584,838
With donor restriction	<u>1,299,713</u>	<u>1,146,375</u>
Total net assets	<u>7,083,901</u>	<u>6,731,213</u>
Total liabilities and net assets	<u><u>\$ 7,203,327</u></u>	<u><u>\$ 6,808,710</u></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, 2023

	<u>Net Assets Without Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
Change in net assets			
Public support and revenue			
Contributions of cash and other financial assets	\$ 994,280	\$ 198,463	\$ 1,192,743
Contributions of nonfinancial assets	433,572	-	433,572
Program service revenue	4,600	-	4,600
Special events revenue	185,517	-	185,517
Less direct benefits costs	<u>(39,494)</u>	<u>-</u>	<u>(39,494)</u>
Net revenue from special events	146,023	-	146,023
Net assets released from restriction	<u>45,125</u>	<u>(45,125)</u>	<u>-</u>
Total revenues and other support	1,623,600	153,338	1,776,938
Expenses			
Program services	1,633,306	-	1,633,306
Supporting services:			
General and administrative	60,047	-	60,047
Fundraising	<u>125,101</u>	<u>-</u>	<u>125,101</u>
Total expenses	<u>1,818,454</u>	<u>-</u>	<u>1,818,454</u>
Change in net assets from operations	(194,854)	153,338	(41,516)
Investment income, net	<u>394,204</u>	<u>-</u>	<u>394,204</u>
Change in net assets	199,350	153,338	352,688
Net assets, beginning of year	<u>5,584,838</u>	<u>1,146,375</u>	<u>6,731,213</u>
Net assets, end of year	<u>\$ 5,784,188</u>	<u>\$ 1,299,713</u>	<u>\$ 7,083,901</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

	<u>Net Assets Without Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
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	<u>(211,441)</u>	<u>(47,964)</u>	<u>(259,405)</u>
Investment loss, 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 FUNCTIONAL EXPENSES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2023

	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	\$ 366,730	\$ 166,696	\$ 533,426	\$ 46,675	\$ 86,682	\$ 133,356	\$ 666,782
Fringe benefits and taxes	73,494	33,407	106,901	9,354	17,371	26,725	133,626
Total personnel costs	440,224	200,102	640,326	56,029	104,053	160,082	800,408
Non-personnel costs:							
Audit and professional services	30,034	16,172	46,206	4,043	7,509	11,552	57,758
Bank charges	8,758	-	8,758	-	-	-	8,758
Depreciation	106,201	47,713	153,914	-	-	-	153,914
Direct mail	-	-	-	(1,244)	-	(1,244)	(1,244)
Equipment leasing	6,523	-	6,523	-	-	-	6,523
Family services	2,921	1,505	4,426	-	-	-	4,426
Grant writing	-	-	-	-	10,800	10,800	10,800
House maintenance	108,362	1,095	109,457	-	-	-	109,457
House supplies	15,952	161	16,113	-	-	-	16,113
In-kind supplies	433,572	-	433,572	-	-	-	433,572
Insurance	37,841	2,079	39,920	416	1,247	1,663	41,583
Marketing and promotions	4,903	2,526	7,429	-	-	-	7,429
Office	13,966	-	13,966	-	-	-	13,966
Office supplies	3,072	1,396	4,468	391	726	1,117	5,585
Postage	1,627	740	2,367	207	385	592	2,959
Printing	3,540	1,590	5,130	-	-	-	5,130
Provision for uncollectible accounts	-	-	-	-	-	-	-
Technology	34,535	15,516	50,050	-	-	-	50,050
Training	1,614	734	2,348	205	382	587	2,935
Travel - conference	6,164	2,770	8,934	-	-	-	8,934
Travel	90	51	141	-	-	-	141
Utilities	79,257	-	79,257	-	-	-	79,257
Total non-personnel costs	898,932	94,047	992,979	4,018	21,048	25,067	1,018,046
Total expenses	<u>\$ 1,339,157</u>	<u>\$ 294,149</u>	<u>\$ 1,633,306</u>	<u>\$ 60,047</u>	<u>\$ 125,101</u>	<u>\$ 185,148</u>	<u>\$ 1,818,454</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			Total Expenses
	Ronald McDonald House	Ronald McDonald Family Room	Total Program Expenses	General and Administrative	Fund-Raising	Total Supporting Services	
Personnel costs:							
Salaries	\$ 284,578	\$ 153,234	\$ 437,812	\$ 32,836	\$ 76,617	\$ 109,453	\$ 547,265
Fringe benefits and taxes	64,540	34,752	99,292	7,447	17,376	24,823	124,115
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
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	82,541	-	82,541	-	-	-	82,541
Total non-personnel costs	836,281	75,391	911,672	44,005	18,873	62,878	974,550
Total expenses	\$ 1,185,399	\$ 263,377	\$ 1,448,776	\$ 84,288	\$ 112,866	\$ 197,154	\$ 1,645,930

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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 352,688	\$ (688,761)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation and amortization	153,914	146,818
Net realized and unrealized (gain) loss on investments	(580,849)	480,130
Provision for uncollectible pledge	-	10,000
Cash surrender value of life insurance	669	569
(Increase) decrease in operating assets:		
Prepaid expenses	(15,755)	4,382
Unconditional promises to give	39,312	36,751
Employee retention receivable	143,134	-
Operating lease asset	5,424	(16,044)
Increase (decrease) in operating liabilities:		
Accounts payable	(371)	(39,135)
Accrued payroll	44,094	(20,100)
Accrued compensated absences	3,630	(2,860)
Operating lease liabilities	<u>(5,424)</u>	<u>16,422</u>
Net cash provided by (used by) operating activities	107,816	(71,828)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,446,888)	(417,363)
Proceeds from sale of investments	1,643,233	341,005
Acquisition of property and equipment and projects in progress	<u>(12,334)</u>	<u>(81,287)</u>
Net cash provided by (used by) investing activities	184,011	(157,645)
NET INCREASE (DECREASE) IN CASH	291,827	(229,473)
Cash, beginning of year	<u>532,256</u>	<u>761,729</u>
Cash, end of year	<u><u>\$ 824,083</u></u>	<u><u>\$ 532,256</u></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.

Medicaid Program

During 2023, The Organization opened a new program service which does not require a payment from the families that stay in the house and charge \$100 a night to the insurance provider if the patient has Medicaid. The State of Florida provides funding for Non-Emergency Medical Transportation (NEMT). The fund covers meals, lodging, and transportation.

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, 2023, 2022, or 2021.

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, 2023 and 2022 were \$433,572 and \$427,014, respectively. This includes donated services totaling \$124,012 and \$143,960 for the years ended December 31, 2023 and 2022, 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, 2021 through 2023 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

14. Leases - 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. There were no changes in net assets as a result of the adoption on January 1, 2022.

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.

The Organization uses an incremental borrowing rate as the discount rate on leases when the implicit rate is not available.

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, 2023 and August 13, 2024, 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, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 11,600	\$ 55,515
One to five years	-	-
More than five years	<u>-</u>	<u>-</u>
 Total	 11,600	 55,515
 Unamortized discount	 (487)	 (2,290)
Allowance for uncollectibles	<u>(5,300)</u>	<u>(8,100)</u>
 Net contributions receivable	 <u>\$ 5,813</u>	 <u>\$ 45,125</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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022, are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Fair Value Measurement Using Significant Other Observable Inputs (Level 2)</u>
December 31, 2023			
Investments:			
Bond funds	\$ 1,033,774	\$ 1,033,774	\$ -
Equity funds	713,459	713,459	-
Exchange traded funds	1,357,892	1,357,892	-
Equities	1,707	1,707	-
Cash surrender value of life insurance	<u>13,388</u>	<u>-</u>	<u>13,388</u>
	<u>\$ 3,120,220</u>	<u>\$ 3,106,832</u>	<u>\$ 13,388</u>
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>\$ 2,736,385</u>	<u>\$ 2,722,328</u>	<u>\$ 14,057</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, 2023 and 2022 for assets held as investments are summarized as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
December 31, 2023			
Investments:			
Bond funds	\$ 1,073,262	\$ 1,033,774	\$ (39,488)
Equity funds	601,212	713,459	112,247
Exchange traded funds	1,075,751	1,357,892	282,141
Equities	-	1,707	1,707
Cash surrender value of life insurance	13,388	13,388	-
	\$ 2,763,613	\$ 3,120,220	\$ 356,607
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	14,057	14,057	-
	\$ 2,460,286	\$ 2,736,385	\$ 276,099

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, 2023 and 2022.

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 767,725	\$ 767,725
Buildings and improvements	3,396,965	3,396,965
Furniture and fixtures	292,563	306,761
Equipment	<u>330,343</u>	<u>343,350</u>
	4,787,596	4,814,801
Less accumulated depreciation	<u>(1,667,429)</u>	<u>(1,553,054)</u>
	<u>\$ 3,120,167</u>	<u>\$ 3,261,747</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$153,914 and \$146,818, 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, 2023, 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, H2H Campaign, and the House kitchen for the years ended December 31, 2023 and 2022 totaled \$1,107,063 and \$1,146,375, 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 and \$50,000 during the years ended December 31, 2019 and 2021, which is held in a separate investment account. Endowment contributions were \$0 for the years ended December 31, 2023 and 2022. 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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Endowments:		
Endowment net assets, beginning of year	\$ 1,101,250	\$ 1,101,250
Contributions	-	-
Investment income, net	197,499	47,964
Amounts appropriated	<u>(197,499)</u>	<u>(47,964)</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, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2023</u>	<u>2022</u>
Clothing	\$ 39,759	\$ 33,543
Food	97,354	94,540
Household supplies	132,688	107,732
Services	124,012	143,960
Toys	<u>39,759</u>	<u>47,239</u>
	<u>\$ 433,572</u>	<u>\$ 427,014</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 nonfinancial assets 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, 2023 and 2022.

NOTE I - 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. The Organization used one or more practical expedients, including short-term leases with terms of twelve months or less to remain off the Organization's Statement of Financial Position. 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 2023 and 2022 totaled \$0 and \$16,422, respectively.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE I - LEASES (Continued)

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31, 2023 and 2022:

	2023	2022
Operating Leases:		
Operating lease right-of-use assets	\$ 10,620	\$ 16,044
Operating lease current liabilities	\$ 5,681	\$ 5,802
Operating lease long-term liabilities	5,317	10,620
Total operating lease liabilities	\$ 10,998	\$ 16,422

The weighted average remaining lease term, weighted average discount rate, and related information as of December 31, 2023 are as follows:

	2023 Operating Leases	2022 Operating Leases
Average monthly payment	\$ 502	\$ 502
Weighted-average remaining lease term	22	34
Weighted-average discount rate	4.63%	4.63%
Total right to use lease asset	\$ 10,620	\$ 16,044
Total right to use lease liability	\$ 10,998	\$ 16,422
Total cash paid	\$ 6,030	\$ 1,005

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE I - LEASES (Continued)

At December 31, 2023, 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 December 31,</u>	<u>Operating</u>
2024	\$ 6,030
2025	5,025
2026	-
2027	-
2028	-
Thereafter	<u>-</u>
Total undiscounted cash flows	11,055
Less: present value discount	<u>(57)</u>
Total lease liabilities	<u>\$ 10,998</u>

Operating lease expenses are included in the equipment leasing line item on the statement of functional expenses. Rental expense for the Organization totaled \$6,523, including operating lease rental payment in amount of \$6,030, for the year ended December 31, 2023. 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.

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 J – 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, 2023 and 2022, the Organization contributed \$12,239 and \$13,826 to the Plan.

NOTE K - 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 \$370,954 at December 31, 2023.

NOTE L - 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, 2023 and 2022, the Organization received \$291,172 and \$134,479, respectively, from these revenue streams.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE M - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2023. 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	\$ 4,020,277
Less those unavailable for general expenditures within one year, due to:	
Subject to satisfaction of donor restrictions	<u>(1,299,713)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,720,564</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 N - 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 received a portion funds in the amount of \$155,869 during 2023. The payments included \$143,134 of payroll credits and \$12,735 of interest. The remaining employee retentions credit for the year ended December 31, 2023 is \$37,511.

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