

**RONALD MCDONALD HOUSE
CHARTITIES OF THE TRIANGLE**

Financial Statements

Years Ended December 31, 2023 and 2022

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Ronald McDonald House Charities of the Triangle
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of the Triangle (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 the Triangle as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the Triangle'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 the Triangle'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.

Thomas, Judy & Dick, P.A.

Durham, North Carolina
October 11, 2024

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,997,377	\$ 1,409,349
Contributions Receivable, Current Portion	64,187	88,145
Contribution Receivable, Facilities Use, Current Portion	171,697	34,627
Sales Tax Receivable	13,243	9,785
Grants Receivable	20,782	20,782
Investments	7,535,736	3,292,572
Gift Card Inventory	16,784	14,644
Supply Inventory	38,316	
Prepaid Expenses	42,547	4,000
Total Current Assets	9,900,669	4,873,904
Long-Term Contributions Receivable, Net	67,495	21,535
Long-Term Contribution Receivable, Facilities Use, Net	3,005,355	1,022,840
Property and Equipment, Net	13,333,073	5,593,980
Total Assets	\$ 26,306,592	\$ 11,512,259
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 491	\$
Accrued Payroll and Vacation	146,730	92,977
Other Accrued Liabilities	31,437	3,531
Deferred Insurance Proceeds	52,311	
Deferred Revenue	44,500	38,750
Total Liabilities	275,469	135,258
Net Assets:		
Without Donor Restrictions		
Undesignated	4,300,816	1,473,997
Designated by Board for Endowment	1,804,242	936,532
Invested in Property and Equipment, Net of Debt	13,333,073	5,593,980
With Donor Restrictions	6,592,992	3,372,492
Total Net Assets	26,031,123	11,377,001
Total Liabilities and Net Assets	\$ 26,306,592	\$ 11,512,259

See Independent Auditors' Report and Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Cash and Other						
Financial Assets	\$ 2,937,096	\$ 155,976	\$ 3,093,072	\$ 2,269,690	\$ 35,248	\$ 2,304,938
Contributions of Nonfinancial Assets	1,595,891	109,950	1,705,841	1,109,192	54,523	1,163,715
Third Party Reimbursements	118,715		118,715	1,690		1,690
Special Events Income, Net of Fees of \$274,332 in 2023 and \$126,855 in 2022	511,374		511,374	372,179		372,179
Gain on Sale of Property, Plant, and Equipment				5,933		5,933
Other Income	19,890		19,890	2,379		2,379
Investment Earnings, Net	225,583	298,552	524,135	(140,951)	(308,699)	(449,650)
Total Support and Revenue	5,408,549	564,478	5,973,027	3,620,112	(218,928)	3,401,184
Net Assets Released from Restrictions	436,377	(436,377)		195,748	(195,748)	
Total Support, Revenue and Net Assets Released from Restrictions	5,844,926	128,101	5,973,027	3,815,860	(414,676)	3,401,184
Expenses:						
Program Expenses:						
Ronald McDonald House of Durham	2,228,485		2,228,485	2,373,219		2,373,219
Ronald McDonald House at WakeMed	335,044		335,044	248,309		248,309
Ronald McDonald House of Chapel Hill	1,558,765		1,558,765			
Triangle Wide	253,202		253,202			
Family Room at Duke Children's Hospital	72,751		72,751	97,778		97,778
Family Room at WakeMed Hospital	140,134		140,134	115,776		115,776
Family Room at UNC Hospital	132,687		132,687			
Management and General	612,101		612,101	319,716		319,716
Fundraising	990,243		990,243	775,287		775,287
Total Expenses	6,323,412		6,323,412	3,930,085		3,930,085
Change in Net Assets	(478,486)	128,101	(350,385)	(114,225)	(414,676)	(528,901)
Net Assets, Beginning of Year	8,004,509	3,372,492	11,377,001	8,118,734	3,787,168	11,905,902
Assets Transferred in Merger	11,912,108	3,092,399	15,004,507			
Net Assets, End of Year	\$ 19,438,131	\$ 6,592,992	\$ 26,031,123	\$ 8,004,509	\$ 3,372,492	\$ 11,377,001

See Independent Auditors' Report and Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

2023

	Program Services											Cost of Direct Benefit to Donors	Total
	Ronald McDonald House of Durham	Ronald McDonald House at WakeMed	Ronald McDonald House at Chapel Hill	Triangle Wide	Family Room at Duke Children's Hospital	Family Room at WakeMed Hospital	Family Room at UNC Hospital	Total Program Services	Management and General	Fundraising			
Salaries	\$ 565,131	\$ 47,724	\$ 403,393	\$	\$ 21,158	\$ 47,724	\$ 26,455	\$ 1,111,585	\$ 322,731	\$ 421,778	\$	\$ 1,856,094	
Payroll Taxes	41,156	3,534	29,378		1,540	3,534	1,949	81,091	18,562	30,701		130,354	
Employee Benefits	71,415	6,004	61,513		2,948	6,004	2,416	150,300	8,811	52,666		211,777	
Total Salaries and Related Expenses	677,702	57,262	494,284		25,646	57,262	30,820	1,342,976	350,104	505,145		2,198,225	
Advertising										72		72	
Automobile	3,882	859	933	1,157		211		7,042		430		7,472	
Bank and Credit Card Fees	10							10	3,648	48,104		51,762	
Cleaning Services and Supplies	71,685		43,165					114,850				114,850	
Depreciation	223,176	11,309	236,233		6,439	1,955	3,881	482,993	6,143	7,483		496,619	
Direct Mail										275,958		275,958	
Donor Recognition										36,677		36,677	
Facilities and Equipment Rental										144	70,520	70,664	
Family Support Services and Supplies	97,136	22,917	37,324	1,201	6	4,514	5,505	168,603				168,603	
In Kind	764,586	224,475	392,476	82,019	26,736	69,937	34,452	1,594,681	1,209			1,595,890	
Insurance	19,524	989	20,666		563	171	340	42,253	537	655		43,445	
Linens and Laundry	49,093		10,578					59,671				59,671	
Maintenance and Repairs	88,617	4,491	93,802		2,557	776	1,541	191,784	2,439	2,972		197,195	
Meetings, Education and Training	956		208	11,743		27	87	13,021	21,985	2,388		37,394	
Merchandise				11,262				11,262	2,462			13,724	
Office Supplies	7,730	653	5,638		293	653	352	15,319	3,993	5,762	2,025	27,099	
Postage and Courier	2,544		108	986				3,638	184	6,646		10,468	
Printing and Publishing	1,805		278	13,509			1,096	16,688	1,724	48,270		66,682	
Professional Fees			3,355					3,355	34,000			37,355	
Donated Rent and Land Lease	93,934	4,760	99,429		2,710	823	1,634	203,290	2,586	3,150		209,026	
Technology	33,580	2,837	24,492	3,000	1,271	2,837	1,527	69,544	17,344	25,530		112,418	
Telephone	17,754	900	18,793		512	155	309	38,423	489	595		39,507	
Travel, Meals and Entertainment	418			1,761				2,179	4,381	2,224	112,248	121,032	
Utilities	70,895	3,592	75,042		2,045	621	1,233	153,428	1,951	2,377		157,756	
Volunteer Resources and Recognition	1,091		228	5,393		192		6,904	1,437			8,341	
Merger Expenses				120,942	3,973		49,910	174,825	106,066	13,160		294,051	
Other	2,367		1,733	229				4,329	49,419	2,501	89,539	145,788	
Total Expenses by Function	2,228,485	335,044	1,558,765	253,202	72,751	140,134	132,687	4,721,068	612,101	990,243	274,332	6,597,744	
Less Expenses Included with Revenue: Cost of Direct Benefit to Donors											(274,332)	(274,332)	
Total Expenses Included in Expense Section in Statement of Activities	\$ 2,228,485	\$ 335,044	\$ 1,558,765	\$ 253,202	\$ 72,751	\$ 140,134	\$ 132,687	\$ 4,721,068	\$ 612,101	\$ 990,243	\$	\$ 6,323,412	

See Independent Auditors' Report and Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	2022								
	Program Services								
	Ronald McDonald House of Durham	Ronald McDonald House at WakeMed	Family Room at Duke Children's Hospital	Family Room at WakeMed Hospital	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries	\$ 608,763	\$ 74,729	\$ 29,127	\$ 55,516	\$ 768,135	\$ 182,871	\$ 362,938	\$	\$ 1,313,944
Payroll Taxes	44,681	5,238	2,008	3,963	55,890	12,475	25,886		94,251
Employee Benefits	83,576	10,259	3,999	7,622	105,456	25,105	49,827		180,388
Total Salaries and Related Expenses	<u>737,020</u>	<u>90,226</u>	<u>35,134</u>	<u>67,101</u>	<u>929,481</u>	<u>220,451</u>	<u>438,651</u>		<u>1,588,583</u>
Advertising							4,244		4,244
Automobile	4,161				4,161				4,161
Bad Debt Expense						18,198			18,198
Bank and Credit Card Fees						3,396	32,566		35,962
Cleaning Services and Supplies	70,460				70,460				70,460
Depreciation	279,295	14,153	8,058	2,446	303,952	2,139	1,761		307,852
Direct Mail							210,835		210,835
Donor Recognition							5,403		5,403
Facilities and Equipment Rental								48,315	48,315
Family Support Services and Supplies	130,400	831	1,211	15,903	148,345				148,345
In Kind	827,563	127,750	44,888	26,933	1,027,134	1,100			1,028,234
Insurance	34,389	1,743	992	301	37,425	263	217		37,905
Linens and Laundry	24,034				24,034				24,034
Maintenance and Repairs	66,031	3,346	1,905	578	71,860	506	416		72,782
Meetings, Education and Training	826				826	12,328	2,001		15,155
Merchandise							3,178		3,178
Office Supplies	2,804	344	134	256	3,538	4,270	2,829	1,695	12,332
Postage and Courier	3,339				3,339		7,215		10,554
Printing and Publishing	1,876	115			1,991		29,436		31,427
Professional Fees						43,782			43,782
Donated Rent and Land Lease	79,383	4,023	2,290	695	86,391	608	501		87,500
Technology	14,228	991	440	736	16,395	8,751	19,435		44,581
Telephone	17,868	905	516	156	19,445	137	113		19,695
Travel, Meals and Entertainment								64,355	64,355
Utilities	76,608	3,882	2,210	671	83,371	587	483		84,441
Volunteer Resources and Recognition	100				100		1,247		1,347
Other	2,834				2,834	3,200	14,756	12,490	33,280
Total Expenses by Function	<u>2,373,219</u>	<u>248,309</u>	<u>97,778</u>	<u>115,776</u>	<u>2,835,082</u>	<u>319,716</u>	<u>775,287</u>	<u>126,855</u>	<u>4,056,940</u>
Less Expenses Included with Revenue:									
Cost of Direct Benefit to Donors								<u>(126,855)</u>	<u>(126,855)</u>
Total Expenses Included in Expense Section in Statement of Activities	<u>\$ 2,373,219</u>	<u>\$ 248,309</u>	<u>\$ 97,778</u>	<u>\$ 115,776</u>	<u>\$ 2,835,082</u>	<u>\$ 319,716</u>	<u>\$ 775,287</u>	<u>\$</u>	<u>\$ 3,930,085</u>

See Independent Auditors' Report and Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (350,385)	\$ (528,901)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	496,619	307,852
In-Kind Property and Equipment		(80,958)
Donated Investments	(20,941)	
Realized and Unrealized (Gain) Loss on Investments	(357,428)	504,554
Gain on Sale of Property, Plant, and Equipment		(5,933)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Contributions Receivable	(17,377)	6,753
Contributions Receivable, Facilities Use	99,075	32,976
Sales Tax Receivable	(3,458)	
Grant Receivable		(20,782)
Gift Card Inventory	(2,140)	(2,965)
Supply Inventory		
Prepaid Expenses	(38,547)	(750)
Accounts Payable	(10,344)	
Accrued Payroll and Vacation	53,753	(185)
Other Accrued Liabilities	27,906	(6,216)
Deferred Insurance Proceeds	52,311	
Deferred Revenue	5,750	12,000
Contributions Received for Long-Term Purposes	<u>(500)</u>	<u>(35,150)</u>
Net Cash Provided (Used) by Operating Activities	<u>(65,706)</u>	<u>182,295</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(3,248,559)	(2,232,802)
Proceeds from Sale of Investments	3,006,617	2,154,622
Proceeds from Sale of Property, Plant, and Equipment		25,000
Purchases of Property and Equipment	<u>(160,118)</u>	<u>(172,073)</u>
Net Cash Used by Investing Activities	<u>(402,060)</u>	<u>(225,253)</u>
Cash Flows from Financing Activities:		
Contributions Received for Long-Term Purposes	<u>500</u>	<u>35,150</u>
Net Cash Provided by Financing Activities	<u>500</u>	<u>35,150</u>
Net Decrease in Cash and Cash Equivalents	(467,266)	(7,808)
Cash and Cash Equivalents, Beginning of Year	1,409,349	1,417,157
Cash and Cash Equivalents Acquired in Merger	<u>1,055,294</u>	
Cash and Cash Equivalents, End of Year	<u>\$ 1,997,377</u>	<u>\$ 1,409,349</u>

See Independent Auditors' Report and Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022
(Continued)

	2023	2022
Supplemental Schedule of Noncash Operating and Investing Activities:		
Purchase of Property and Equipment	\$ (160,118)	\$ (253,031)
Less: Amounts Received as In-Kind Contribution		80,958
Cash Paid for Purchase of Property and Equipment	\$ (160,118)	\$ (172,073)
Assets Acquired Upon Merger:		
Cash	\$ 1,055,294	\$
Supplies	38,316	
Accounts Receivable	4,625	
Accounts Receivable, Facilities	2,218,660	
Investments	3,622,853	
Property and Equipment	8,075,594	
Accounts Payable	(10,835)	
	\$ 15,004,507	\$

See Independent Auditors' Report and Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Operations

The Ronald McDonald House Charities of Durham and Wake, Inc. is a not-for-profit corporation incorporated under the laws of the State of North Carolina in 1978. The Organization was formed to provide a home away from home as well as community support for seriously ill children and their families.

In 2022, Ronald McDonald House of Durham and Wake and Ronald McDonald House of Chapel Hill formally voted to merge effective July 1, 2023. Upon the merge the name of the entity was changed to Ronald McDonald House Charities of the Triangle (the "Organization"). The Organization now operates 103 bedrooms for short and long-term stays at a house in Durham, in Chapel Hill and at Wake Med Hospital in Raleigh, North Carolina. The Organization also provides in-hospital support through family rooms located at Duke Children's Hospital in Durham, WakeMed Children's Hospital in Raleigh and UNC Hospital in Chapel Hill.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under these provisions, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Organization has also adopted FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Under these provisions, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence or nature of donor restrictions.

Basis of Accounting and Use of Estimates

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP"). Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, Grants and Bequests

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 and reported in the statement of activities as net assets released from restrictions. Bequests are recorded when the amount and rate of payment is probable.

Special Event Income – Ticket Sales

The portion of ticket sales that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met. Proceeds received in advance of the event are recorded as deferred revenue.

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. The discount is calculated using a risk-adjusted rate of 1%. This rate does not include any consideration of collectability, for which the Organization records a separate allowance for uncollectible promises. Contributions receivable are written off when deemed uncollectible.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and the uncollectible amounts are charged as a loss in the statements of activities. At December 31, 2023 and 2022, the allowance for uncollectible contributions receivable was \$5,477.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on hand, cash in demand deposit accounts, and all short-term debt securities with a maturity of three months or less to be cash equivalents. The Organization had \$564,627 and \$422,968 of cash equivalents at December 31, 2023 and 2022, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in investment earnings, net in the accompanying statements of activities.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

The Organization maintains 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.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated securities are recorded at their fair values on the dates of the gifts and, except where otherwise required by the donor or Board of Directors, are immediately sold by the Organization.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under Internal Revenue Section code section 501(c)(3). The Organization has been approved under Internal Revenue Code for recognition as a public charity and not as a private foundation. The Organization has adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under this standard, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of December 31, 2023.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods.

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include: depreciation, insurance, maintenance and repairs, donated rent and land lease, telephone, and utilities. The expenses allocated on the basis of estimates of time and effort are salaries, payroll taxes, employee benefits, office supplies, and technology. All other expenses are allocated based on specific identification.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

It is the Organization's policy to capitalize property and equipment with an original cost or donated value of \$5,000 or more and estimated useful life of more than one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets. Purchased property and equipment are carried at cost. Donations of equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. In the absence of such stipulations, contributions of equipment are recorded as unrestricted assets. Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	5 – 45 years
Vehicles, Furnishings and Equipment	3 – 15 years

Depreciation expense totaled \$496,619 and \$307,852 for the years ended December 31, 2023 and 2022, respectively.

Donated Services

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.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Advertising

The Organization expenses advertising costs when incurred. Advertising expenses totaled \$72 and \$4,244 for the years ended December 31, 2023 and 2022, respectively.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported net assets or change in net assets.

Accrued Vacation

The Organization allows all full-time employees discretionary time off based on years of continuous service. Employees working less than 40 hours per week are not eligible for paid time off. The maximum number of accrued vacation hours that an employee may carry-over each year is 160 hours. Accrued vacation at December 31, 2023 and 2022 was \$103,409 and \$72,706, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

Effective January 1, 2023, the Organization adopted provisions of FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASC 326”), on a modified retrospective basis, which did not result in a cumulative-effect adjustment to the opening balance of net assets to be recognized on the date of adoption. ASC 326 requires the measurement of all expected credit losses for financial assets held at the reporting date is based on historical experience, current conditions, and reasonable and supportable forecasts.

2. Concentrations of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. These are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Federal Deposit Insurance Corporation insures up to \$250,000 for all accounts held at a single institution. As of December 31, 2023, the Organization’s uninsured cash balance was \$589,150.

3. Liquidity and Availability

The following represents the Organization’s financial assets at December 31:

	2023	2022
Cash and Cash Equivalents	\$ 1,997,377	\$ 1,409,349
Contributions Receivable, Current Portion	64,187	88,145
Sales Tax Receivable	13,243	9,785
Investments	7,535,736	3,292,572
Total financial assets	9,610,543	4,799,851
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,425,440	2,315,025
Financial assets available to meet general expenditures over the next twelve months	\$ 6,185,103	\$ 2,484,826

The Organization maintains financial assets consisting of cash and short-term investments on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. It is the Organization’s policy to maintain an operating reserve of one to three years of annual expenses. The Organization defines its operating reserve as net assets without donor restrictions less property and equipment divided by annual operating expenses.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

3. Liquidity and Availability (Continued)

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$1,804,242 is subject to an annual spending rate of 5% as described in Note 8. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

4. Contributions Receivable

At December 31, contributions receivable are expected to be received as follows:

	<u>2023</u>	<u>2022</u>
Less than One Year	\$ 64,187	\$ 88,145
One to Five Years	<u>72,972</u>	<u>27,012</u>
	137,159	115,157
Less: Allowance for Uncollectible Contributions	<u>(5,477)</u>	<u>(5,477)</u>
Net Contributions Receivable	<u>\$ 131,682</u>	<u>\$ 109,680</u>

At December 31, contributions receivable were designated by the donor for the following purposes:

	<u>2023</u>	<u>2022</u>
Capital Campaign	\$ 9,500	\$ 9,500
Other (Unrestricted)	<u>127,659</u>	<u>105,657</u>
Contributions Receivable, Before Discount and Allowance for Uncollectible Contributions	<u>\$ 137,159</u>	<u>\$ 115,157</u>

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

5. Contributions Receivable – Facilities Use

Durham

The Organization entered into a land and improvements lease with Duke University for the site upon which the Organization's Durham house is located. The lease restricts the use of the property to operating a short-term residence facility for children and parents of children who are being treated at Duke University Medical Center. The original lease began May 1979. The Organization entered into a new lease with similar terms in May 2012 through November 2041 with two 10-year renewal periods through November 2061. No rent is paid, and the lessor retains the right to renegotiate rent not in excess of \$1,000 per annum each succeeding fifth year. The lessee is responsible for all assessments against the property, and upon termination of the lease, the improvements thereon become the property of the lessor.

An internal valuation determined that the fair value of the land and improvements at the date of inception was \$1,750,000. The annual rental value was estimated to be approximately \$87,500 per year. In connection with this lease agreement, the Organization discounted the value of the 30-year initial term of the lease using a discount rate of 5.0%, and recorded a restricted contribution in 2012 in the amount of \$1,345,089.

The value remaining on the use of facilities at December 31, 2023 and 2022 is \$1,022,840 and \$1,057,467, respectively, and has been recorded as contribution receivable facilities use on the statements of financial position. Rent expense recorded in connection with this lease agreement was \$87,500 for each of the years ended December 31, 2023 and 2022.

Chapel Hill

The Organization entered into a land and improvements lease with the State of North Carolina for the site upon which the Organization's Chapel Hill house is located. The lease restricts the use of the property to operating a short-term residence facility for children and parents of children who are being treated at UNC Children's Hospital. The original lease began December 1985. The Organization entered into a new lease with similar terms in June 2001. The new lease expires in October 2035. The Organization pays annual rent of \$1. The lessee is responsible for all assessments against the property, and upon termination of the lease, the improvements thereon become the property of the lessor.

An internal valuation determined that the fair value of the land and improvements at the date of inception was \$4,860,997. The annual rental value was estimated to be approximately \$243,050 per year. In connection with this lease agreement, the Organization discounted the value of the 35-year initial term of the lease using a discount rate of 5.0%.

The value remaining on the use of facilities as of December 31, 2023 is \$2,154,212 and has been recorded as contribution receivable – facilities use on the statements of financial position. Rent expense recorded in connection with this lease agreement was \$121,525 for the period ended to December 31, 2023.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

6. Investments

Investments are summarized below.

	<u>Cost</u>	<u>Fair Value</u>
<u>December 31, 2023</u>		
Equity Securities	\$ 2,143,289	\$ 2,471,447
Fixed Income	1,329,927	1,585,546
Exchange Traded Funds	3,015,771	3,195,177
Real Estate Interests	<u>300,000</u>	<u>283,566</u>
Total	<u>\$ 6,788,987</u>	<u>\$ 7,535,736</u>
<u>December 31, 2022</u>		
Equity Securities	\$ 2,108,585	\$ 2,089,882
Fixed Income	969,280	972,424
McDonald's Inc. Common Stock	<u>88,879</u>	<u>230,266</u>
Total	<u>\$ 3,166,744</u>	<u>\$ 3,292,572</u>

Investment earnings for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 190,598	\$ 66,714
Investment Fees	(23,891)	(11,810)
Realized and Unrealized Gain (Loss)	<u>357,428</u>	<u>(504,554)</u>
Total	<u>\$ 524,135</u>	<u>\$ (449,650)</u>

7. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Building and Leased Land	\$ 20,764,147	\$ 8,697,789
Construction in Progress	79,302	
Furnishings and Equipment	1,127,535	803,187
Vehicle	<u>168,992</u>	<u>138,992</u>
Total Property and Equipment	22,139,976	9,639,968
Less: Accumulated Depreciation	<u>(8,806,903)</u>	<u>(4,045,988)</u>
Property and Equipment, Net	<u>\$ 13,333,073</u>	<u>\$ 5,593,980</u>

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

8. Cash and Investments Held in Endowments

The Organization's endowments consist of multiple funds established for the ongoing operations of the Organization. The endowment balances include board-designated and donor-restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

North Carolina G.S. 116, Chapter 36E, Uniform Prudent Management of Institutional Funds Act (UPFIMA) was signed into law March 2009 and is applied to the Organization's endowment funds existing at December 31, 2023 and 2022. The Board of Trustees of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Organization and the donor-restricted endowment fund (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The ultimate responsibility for managing the cash and investments of the Organization rests with the Board of Trustees, which may delegate responsibility to the Investment Committee of the Board of Trustees.

Investment Objectives – The investment objective is to attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce reasonable income while preserving capital. Results of the investments will be compared against industry standards for each type of investment.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
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8. Cash and Investments Held in Endowments (Continued)

Changes in endowments for the years ended December 31 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2023</u>			
Endowment Net Assets, Beginning of Year	\$ 936,532	\$ 2,305,527	\$ 3,242,059
Acquisition in Merger	790,699	810,269	1,600,968
Contributions		10,000	10,000
Investment Earnings	136,535	298,551	435,086
Distributions	<u>(59,524)</u>	<u>(111,876)</u>	<u>(171,400)</u>
Endowment Net Assets, End of Year	<u>\$ 1,804,242</u>	<u>\$ 3,312,471</u>	<u>\$ 5,116,713</u>
<u>2022</u>			
Endowment Net Assets, Beginning of Year	\$ 1,028,826	\$ 2,687,100	\$ 3,715,926
Contributions	96,316	35,150	131,466
Investment Earnings	(131,524)	(308,600)	(440,124)
Transfers	1,436		1,436
Distributions	<u>(58,522)</u>	<u>(108,123)</u>	<u>(166,645)</u>
Endowment Net Assets, End of Year	<u>\$ 936,532</u>	<u>\$ 2,305,527</u>	<u>\$ 3,242,059</u>

From time to time, certain donor-restricted funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments at December 31, 2023 and 2022.

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
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9. Fair Value Measurements

The FASB established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2023</u>			
Equity Securities	\$ 2,471,447	\$ 1,815,312	\$ 656,135
Fixed Income	1,585,546	1,585,546	
Exchange -Traded Funds	3,195,177	3,195,177	
Real Estate Interests	283,566		283,566
	\$ 7,535,736	\$ 6,596,035	\$ 939,701
 <u>December 31, 2022</u>			
Equity Securities	\$ 2,089,882	\$ 2,089,882	\$
Fixed Income	972,424	972,424	
McDonald's Inc. Stock	230,266	230,266	
	\$ 3,292,572	\$ 3,292,572	\$

RONALD MCDONALD HOUSE CHARITIES OF THE TRIANGLE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

9. Fair Value Measurements (Continued)

Changes in Fair Value Levels – The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Change in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. There have been no changes in levels or valuation techniques for these assets and liabilities for the years ended December 31, 2023 and 2022.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31 were as follows:

<u>2023</u>	
Assets Acquired in Merger	\$ 951,501
Purchases	16,381
Total Losses (Realized/Unrealized) included in Changes in Net Assets	<u>(28,181)</u>
Ending Balance	<u>\$ 939,701</u>

Level 3 investments consist of capital invested in real estate holdings that are valued by brokerage firms that hold and manage the investment portfolio and investments in private investment companies that are valued using the net asset valuations provided by the underlying private investment companies.

10. Line of Credit

In April of 2021, the Organization opened a standby line of credit with a bank. Total borrowing capacity is based on a percentage of investments held, ranging from 60% to 90% depending on the type of investment. Borrowings of less than \$5,000,000 carry an interest rate of Prime less 0.5% (8.5% at December 31, 2023) and are due monthly. There were no draws on the line of credit at December 31, 2023 and 2022.

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11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods:

	<u>2023</u>	<u>2022</u>
Subject to appropriation and expenditure when a Specified event occurs:		
Land Lease	\$ 3,177,052	\$ 1,057,467
House Operations	1,315,555	848,314
General Purpose	252,265	227,215
Garden Enhancement	24,016	
Duke Family Room	83,561	77,026
WakeMed Family Room	9,890	5,709
Subject to time restrictions:		
Durham House Expansion		9,500
Subject to endowment spending policy and appropriation:		
House Operations	1,372,500	872,500
General Purpose	175,111	175,111
Garden Enhancement	73,392	
Duke Family Room	40,000	40,000
WakeMed Family Room	69,650	59,650
	<u>\$ 6,592,992</u>	<u>\$ 3,372,492</u>

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

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Land Lease	\$ 209,025	\$ 87,500
House Operations	81,707	74,521
General Purpose	19,719	23,277
Duke Family Room	6,360	6,674
WakeMed Family Room	4,090	3,776
Capital Campaign	115,476	
Satisfaction of purpose restrictions	<u>\$ 436,377</u>	<u>\$ 195,748</u>

12. Related Party Transactions

The Organization received pledges and contributions from Board members in 2023 and 2022 totaling \$56,431 and \$73,874, respectively. As of December 31, 2023 and 2022, total outstanding pledges due from board members was \$0.

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13. Retirement Plan

The Organization sponsors retirement plans that are available to all full-time employees and part-time employees. The Organization matches 100% of employee contributions up to 5%. Total employer contributions for the years ended December 31, 2023 and 2022 were \$55,345 and \$35,311, respectively.

The retirement plans in place prior to the merger remained in effect through December 31, 2023. Effective January 1, 2024, the previous retirement plans terminated, and a new retirement plan was established.

14. Contributed Services

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recorded in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

15. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the years ending December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Property and Equipment		
Furniture and Equipment	\$	\$ 80,958
Expenses:		
Meals and Supplies	920,212	429,173
Family Support Services	411,259	248,744
Transportation Services	182,401	80,000
Rent	109,950	54,523
Miscellaneous Services	<u>82,019</u>	<u>270,317</u>
	<u>\$ 1,705,841</u>	<u>\$ 1,163,715</u>

The Organization recognized contributed nonfinancial assets within revenue, including meals and supplies, family support services, transportation services, and miscellaneous services.

In valuing property and equipment, the Organization estimated fair value at the date of donation. In valuing meals and supplies, family support services, transportation services, and miscellaneous services, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

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15. Contributed Nonfinancial Assets (Continued)

Contributed rent is for the land and facilities which are used for program and general and administrative activities. In valuing the contributed land and facilities, which is located in Durham, North Carolina, the Organization estimated the fair value on the basis of recent comparable sales prices in Durham, North Carolina's real estate market.

Contributed food, household goods, and clothing were utilized in the following programs: Ronald McDonald Houses and Ronald McDonald Family Rooms. In valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

All donated assets were utilized by the Organization's Programs and Supporting Services. There were no donor restrictions associated with the donated assets.

16. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 11, 2024, which is the date the financial statements were available to be issued.

The retirement plans in place prior to the merger remained in effect through December 31, 2023. Effective January 1, 2024, the previous retirement plans terminated, and a new retirement plan was established.