

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**



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**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ronald McDonald House Charities  
of Greater Washington, D.C., Inc.  
Falls Church, Virginia

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 RMHC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 RMHC 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 RMHC's ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 RMHC'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 RMHC'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.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
June 6, 2024

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 510,970	\$ 387,652
Contributions Receivable	245,631	535,166
Accounts Receivable	-	12,345
Prepaid Expenses	35,077	30,280
Total Current Assets	791,678	965,443
<b>CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>	-	170,151
<b>INVESTMENTS</b>	7,675,156	7,045,058
<b>BENEFICIAL USE OF LAND</b>	54,547	55,417
<b>OTHER ASSETS</b>	11,592	-
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	1,762,506	1,762,506
Building and Improvements	13,836,847	13,813,052
Furniture and Equipment	750,494	734,095
Website	8,575	8,575
Subtotal	16,358,422	16,318,228
Less: Accumulated Depreciation and Amortization	(4,155,139)	(3,811,381)
Total Property and Equipment	12,203,283	12,506,847
Total Assets	\$ 20,736,256	\$ 20,742,916
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 374,562	\$ 267,396
Line of Credit	752,340	-
Total Current Liabilities	1,126,902	267,396
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board-Designated	820,480	820,480
Undesignated	16,253,728	16,038,138
Total Net Assets Without Donor Restrictions	17,074,208	16,858,618
With Donor Restrictions:		
Time and Purpose Restrictions	1,194,645	2,276,401
Perpetual Restrictions	1,340,501	1,340,501
Total Net Assets With Donor Restrictions	2,535,146	3,616,902
Total Net Assets	19,609,354	20,475,520
Total Liabilities and Net Assets	\$ 20,736,256	\$ 20,742,916

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
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
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions and Fundraising Events	1,865,804	\$ 309,728	\$ 2,175,532	1,841,932	\$ 74,972	\$ 1,916,904
Donated Materials and Services	265,151	-	265,151	234,452	-	234,452
Special Events	221,145	-	221,145	140,404	-	140,404
Realized Gains on Sale of Investments	139,249	19,106	158,355	385,997	40,108	426,105
Unrealized Gain (Loss) on Investments	408,409	206,057	614,466	(1,459,999)	(171,754)	(1,631,753)
Interest and Dividends, Net of Fees	113,530	45,345	158,875	87,976	34,151	122,127
Other	318	-	318	189,755	-	189,755
Net Assets Released from Restrictions	1,661,992	(1,661,992)	-	263,485	(263,485)	-
Total Public Support and Revenue	4,675,598	(1,081,756)	3,593,842	1,684,002	(286,008)	1,397,994
<b>EXPENSES</b>						
Program Services	3,445,172	-	3,445,172	3,224,241	-	3,224,241
Management and General	484,569	-	484,569	534,327	-	534,327
Fundraising	530,267	-	530,267	431,011	-	431,011
Total Expenses	4,460,008	-	4,460,008	4,189,579	-	4,189,579
<b>CHANGE IN NET ASSETS</b>	215,590	(1,081,756)	(866,166)	(2,505,577)	(286,008)	(2,791,585)
Net Assets - Beginning of Year	16,858,618	3,616,902	20,475,520	19,364,195	3,902,910	23,267,105
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,074,208</u>	<u>\$ 2,535,146</u>	<u>\$ 19,609,354</u>	<u>\$ 16,858,618</u>	<u>\$ 3,616,902</u>	<u>\$ 20,475,520</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Employee Costs	\$ 1,424,293	\$ 156,533	\$ 385,893	\$ 1,966,719
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	353,731	6,067	9,855	369,653
Professional Fees	105,206	233,117	12,991	351,314
Repairs and Maintenance	281,511	654	3,492	285,657
Marketing and Public Relations	182,106	-	85,127	267,233
Other Outside Services	193,688	-	-	193,688
Supplies	158,891	9,172	20,772	188,835
Utilities	127,964	6,015	-	133,979
Occupancy	90,600	2,442	3,886	96,928
Insurance	39,839	2,300	5,208	47,347
Printing, Mailing, and Postage	9,494	27,792	1,201	38,487
Other	1,984	31,478	37	33,499
Family Transportation	19,953	704	1,127	21,784
Travel and Meetings	5,912	8,295	678	14,885
	<u>\$ 3,445,172</u>	<u>\$ 484,569</u>	<u>\$ 530,267</u>	<u>\$ 4,460,008</u>
Total Expenses				

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Employee Costs	\$ 1,331,501	\$ 120,444	\$ 247,771	\$ 1,699,716
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	359,062	6,473	7,924	373,459
Professional Fees	82,355	336,605	65,219	484,179
Repairs and Maintenance	167,789	3,025	3,703	174,517
Marketing and Public Relations	210,857	32,038	91,572	334,467
Supplies	130,209	6,543	6,753	143,505
Utilities	89,518	1,614	1,976	93,108
Occupancy	81,168	1,461	3,841	86,470
Insurance	32,684	1,642	1,695	36,021
Other Outside Services	175,549	-	-	175,549
Printing, Mailing, and Postage	10,735	539	557	11,831
Other	9,943	23,943	-	33,886
Family Transportation	56,039	-	-	56,039
Travel and Meetings	6,789	-	-	6,789
Telecommunications	30,043	-	-	30,043
<b>Total Expenses</b>	<b>\$ 3,224,241</b>	<b>\$ 534,327</b>	<b>\$ 431,011</b>	<b>\$ 4,189,579</b>

See accompanying Notes to Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (866,166)	\$ (2,791,585)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	369,653	373,459
Amortization of Beneficial Use of Land	870	809
Realized Gain on Investments	(158,355)	(426,105)
Unrealized (Gain) Loss on Investments	(614,466)	1,631,753
Loss on Disposal of Property and Equipment	8,973	-
(Increase) Decrease in Assets:		
Pledges and Contributions Receivable	459,686	589,847
Accounts Receivable	12,345	2,432
Prepaid Expenses	(4,797)	8,174
Other Assets	(11,592)	-
Increase in Liabilities:		
Accounts Payable and Accrued Expenses	107,166	16,420
Net Cash Used by Operating Activities	(696,683)	(594,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(75,062)	(9,100)
Purchase of Investments	(2,702,485)	(1,263,880)
Proceeds from Sale of Investments	2,845,208	2,043,507
Net Cash Provided by Investing Activities	67,661	770,527
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Line of Credit	752,340	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	123,318	175,731
Cash and Restricted Cash - Beginning of Year	387,652	211,921
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	\$ 510,970	\$ 387,652

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization) is a nonprofit 501(c)(3) organization whose purpose is to help relieve the burden of childhood illness on families through programs that directly improve the health and wellbeing of children. RMHC 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.

RMHC owns and operates, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), two Ronald McDonald Houses, located in Washington, DC, and Northern Virginia. It also supports two Ronald McDonald Care Mobiles in partnership with MedStar Georgetown University Hospital Kids Mobile Medical Clinic Program. The Ronald McDonald Care Mobiles partnership agreement expired in February 2024 and was not renewed.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions.

**Income Taxes**

The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Internal Revenue Service (IRS) determined that the Organization is not a private foundation.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. All receivables are deemed collectible by management at December 31, 2023 and 2022.

**Investments**

Investments are recorded at fair value. Realized and unrealized gains and losses and income are included in the statements of activities.

**Fair Value Measurements**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and are based on the best information available in the circumstances.

**Property and Equipment**

Purchases of furniture and equipment greater than \$1,000 are capitalized at cost. Donated assets are recorded at their estimated market value on the date of donation. Property and equipment are depreciated over estimated useful lives of 3 to 45 years on a straight-line basis.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

RMHC leases equipment. RMHC determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. Finance leases are included in financing lease ROU assets and financing lease liabilities on the statements of financial position.

ROU assets represent RMHC's right to use an underlying asset for the lease term and lease liabilities represent RMHC's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, RMHC uses risk free market rate allowed by the guidance. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease may include options to extend or terminate the lease when it is reasonably certain that RMHC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. RMHC has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

RMHC has elected to use a risk-free discount rate, commensurate with the term of the lease, to determine the present value of the lease payments for each lease agreement. RMHC has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Net Assets**

The Organization's net assets and changes therein are classified and reported as follows:

*Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for property and equipment and capital improvements and expansion.

*With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The investment earnings on these net assets are reflected in the statements of activities as components of net assets with donor restrictions and released from restrictions as funds are expended for the restricted purposes.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**Donated Assets and Services**

Contributions of donated goods are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received and also recorded as an expense. However, no value is recorded for the services of unpaid volunteers who have made significant contributions of their time in all areas of operations.

**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 include: depreciation, repairs and maintenance, and utilities, which are allocated on a square footage basis; supplies, printing, mailing, and postage, IT support, insurance, and other professional fees, which are allocated based on full-time equivalents; and salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

**Liquidity**

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position, as of December 31:

	2023	2022
Cash and Cash Equivalents	\$ 510,970	\$ 387,652
Contributions Receivable, Current	245,631	535,166
Accounts Receivable	-	12,345
Cash Portion of Investments	264,825	256,527
Total	\$ 1,021,426	\$ 1,191,690

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Liquidity (Continued)**

Additionally, although the Organization does not intend to spend from its long-term investments without donor restrictions, amounts could be made available if necessary.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$637,000.

**Recently Adopted New Accounting Standard**

The Organization has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on The Organization's financial statements. As the Organization has historically not had material trade receivables, there is no policy in place regarding the determination of credit losses.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 6, 2024, the date the financial statements were available to be issued, and notes no events requiring recognition or disclosure other than the event in Note 1.

**NOTE 2 CONCENTRATIONS AND MARKET RISK**

**Revenue Concentrations**

For the years ended December 31, 2023 and 2022, RMHC received 22% and 19%, respectively, of total support revenue (which excludes investment income), from one donor. As of December 31, 2023 and 2022, 15% and 63% of contributions receivable, respectively, was due from this donor.

**Market Risk**

RMHC invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Due Within One Year	\$ 245,631	\$ 535,166
Due in One to Five Years	-	174,200
Total	<u>245,631</u>	<u>709,366</u>
Less: Discount	-	(4,049)
Total Net Contributions Receivable	<u>\$ 245,631</u>	<u>\$ 705,317</u>

As of December 31, 2023, there were no long-term contributions receivable, therefore no discount was applied on pledges. The discount rate used at December 31, 2022 was 2.3%.

**NOTE 4 INVESTMENTS**

Investments consist of the following as of December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash Equivalents	\$ 264,825	\$ 264,825	\$ 256,527	\$ 256,527
Equities	5,060,020	2,548,538	4,487,570	2,495,363
Corporate Bonds	2,350,311	2,368,634	2,300,961	2,476,113
Total Investments	<u>\$ 7,675,156</u>	<u>\$ 5,181,997</u>	<u>\$ 7,045,058</u>	<u>\$ 5,228,003</u>

The following tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 5,060,020	\$ -	\$ -	\$ 5,060,020
Corporate Bonds	-	2,350,311	-	2,350,311
Total	<u>\$ 5,060,020</u>	<u>\$ 2,350,311</u>	<u>\$ -</u>	<u>7,410,331</u>
Cash Equivalents				264,825
Total Investments				<u>\$ 7,675,156</u>

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 4,487,570	\$ -	\$ -	\$ 4,487,570
Corporate Bonds	-	2,300,961	-	2,300,961
Total	<u>\$ 4,487,570</u>	<u>\$ 2,300,961</u>	<u>\$ -</u>	<u>6,788,531</u>
Cash Equivalents				256,527
Total Investments				<u>\$ 7,045,058</u>

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 5 BENEFICIAL USE OF LAND**

In October 1996, the Organization entered into a lease agreement with Inova Fairfax Hospital Systems, Inc. (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The agreement includes annual base rent of \$1.00 and provides for an initial lease term of 30 years and contains two 10-year renewal options, for a combined lease period that ends in 2046. An independent appraisal determined that the fair value of the space at the time of inception was \$255,668. The annual rental value was estimated to be \$5,113 per year. In connection with this lease agreement, the Organization discounted the value of the 50-year initial term of the lease using a discount rate of approximately 7.4% and recorded a restricted contribution in 2018 in the amount of \$63,436. The implicit contribution receivable under this agreement was not previously recorded in the financial statements and was recorded as a donor-restricted contribution in 2018. The value remaining on the use of land as of December 31, 2023 and 2022 is \$54,547 and \$55,417, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2023 and 2022, rent expense of \$5,113 was recorded in connection with this lease agreement.

**NOTE 6 LINE OF CREDIT**

During the year ended December 31, 2023, RMHC was extended a line of credit that extends up to \$2,000,000 and expires June 30, 2024. The line of credit is secured by investments and bears interest at a base rate not to exceed three percentage points above the Prime Rate as published in the Wall Street Journal (7.5% at December 31, 2023). Total amounts outstanding on the line of credit were \$752,340 and \$0 at December 31, 2023 and 2022, respectively.



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**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specific Purpose:		
Advertising Expenses	\$ 615	\$ 25,615
Open Homes Grant	-	2,124
DC House - Playground	6	6
State Registration Grant	1,738	3,000
Total	<u>2,359</u>	<u>30,745</u>
Subject to Passage of Time:		
For Periods after December 31	74,295	1,362,681
Subject to the Organization's Spending Policy and Appropriation:		
Original Donor-Restricted Gifts Required to be Maintained in Perpetuity by Donor	1,340,501	1,340,501
Accumulated Endowment Earnings	1,063,444	827,558
Not Subject to Appropriation or Expenditure:		
Land Required to be Used for a Ronald McDonald House	54,547	55,417
Total	<u>\$ 2,535,146</u>	<u>\$ 3,616,902</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 donors as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Endowment Fund	\$ 34,622	\$ 24,525
Davis Elen Matching Gift	18,500	-
Advertising Expenses	25,003	3,914
Open Homes Grant	2,124	-
State Registration Grant	1,263	-
4th Quarter Happy Meal Pledge	36,714	64,237
Curtis Bell Pledge	80,000	80,000
Land Lease	870	809
Co-Op Operating Pledge	1,462,896	90,000
Total	<u>\$ 1,661,992</u>	<u>\$ 263,485</u>

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**NOTE 8 ENDOWMENTS**

In March 1993, RMHC received a donation of shares of common stock of the McDonald's Corporation from Mrs. Ray Kroc. This gift was valued at \$490,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses.

In 2016, upon donor instruction, RMHC transferred \$850,001 of donor-restricted Caremobile Medical Unit funds to create a permanent endowment to where earnings of the endowment would be used to fund operations of the current and future Caremobiles.

Absent explicit donor stipulations to the contrary, the board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the standard of prudence prescribed by 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 purposes 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 investment policy of the Organization.

**Investment Return Objectives and Risk Parameters**

The Organization's endowment investment policy is focused on preservation of capital. The original endowment remains invested in donated common stock of the McDonald's Corporation, and the Care Mobile endowment funds are invested in a portfolio of securities with the investment objective to produce income, with long-term growth potential to meet the current and future needs of the Care Mobile program for the Washington, DC, chapter.

The Organization has adopted investment and spending policies for endowment assets that 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy approved by the board of directors the endowment assets are invested in a manner with long-term orientation and without undue exposure to risk.

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**NOTE 8 ENDOWMENTS (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Spending rate policy will be 5%. Over the long-term, the Organization expects to allow its endowment to grow annually, consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through new contributions and investment returns.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends) by holding on to the original donated investments.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies in prior year resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds. There were no such deficiencies as of December 31, 2023 and 2022.

The endowment net assets and activity for 2023 and 2022 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2022	\$ -	\$ 2,290,078	\$ 2,290,078
Investment Gain	-	(97,494)	(97,494)
Appropriations	-	(24,525)	(24,525)
Endowment Net Assets - December 31, 2022	-	2,168,059	2,168,059
Investment Gain	-	270,508	270,508
Appropriations	-	(34,622)	(34,622)
Endowment Net Assets - December 31, 2023	<u>\$ -</u>	<u>\$ 2,403,945</u>	<u>\$ 2,403,945</u>

**NOTE 9 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's governing board of directors has designated net assets without donor restrictions for the following purposes as of December 31:

	2023	2022
Property Reserve Fund	\$ 200,566	\$ 200,566
Capital Expenditure Fund	619,914	619,914
Total	<u>\$ 820,480</u>	<u>\$ 820,480</u>

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**NOTE 10 DONATED MATERIALS AND SERVICES**

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	2023	2022
Food and Supplies	\$ 131,031	\$ 110,911
Services	23,110	30,769
Rent	95,132	83,504
Utilities	15,878	9,268
Total Contributed Nonfinancial Assets	\$ 265,151	\$ 234,452

Contributed food and supplies items received by the Organization are recorded as in-kind contribution revenue. These items are used in program services and are valued using the current average price located on a publicly available website for similar items.

Contributed services are recognized as in-kind revenue at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. These services are used for management and general activities.

Contributed equipment rent is valued using the current average price located on a publicly available website for similar items. These items are used in program services.

Contributed utilities are valued using the current average price located on a publicly available website for similar utilities. These utilities are used in program services.

**NOTE 11 RONALD MCDONALD HOUSE CHARITIES LICENSE**

The RMHC holds a license from Ronald McDonald House Charities, Inc. (RMHC Global) to operate in the community. The license agreement requires the Organization to remit 25% of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities, Inc. on a quarterly basis. These amounts are recorded against contribution income on the statements of activities. In fiscal years 2023 and 2022, the fundraising amounts were collected by the global organization and the proceeds net of the 25% fee were remitted to RMHC. RMHC recorded \$496,485 and \$298,947 of revenue from RMHC Global in 2023 and 2022, respectively. As of December 31, 2023 and 2022, amounts receivables from RMHC Global totaled \$127,885 and \$105,989, respectively.

Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

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**NOTE 12 PENSION PLAN**

The plan is a defined contribution plan under which employees who work at least 1,000 hours per year and have completed one year of service can make voluntary contributions up to the IRS maximum. There is a safe harbor match and a provision for discretionary contributions by the employer. All participants are fully vested in all contributions made. For 2023 and 2022, the Organization matched employee contributions up to 5% of each employee's compensation, resulting in pension expense of \$32,558 and \$36,044, respectively.

**NOTE 13 ALLOCATION OF JOINT COSTS**

The Organization incurs joint costs for informational materials and activities that included fundraising appeals. The following is a summary of the allocation of these joint costs for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Program Services	\$ 182,106	\$ 197,816
Fundraising	75,127	91,472
Management and General	-	2,035
Total	<u>\$ 257,233</u>	<u>\$ 291,323</u>



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