

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2023 AND 2022



Keeping families close®

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ronald McDonald House Charities of Western Washington & Alaska
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Western Washington & Alaska (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 Western Washington & Alaska 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 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 Western Washington & Alaska 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Western Washington & Alaska'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 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, including omissions, 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 Western Washington & Alaska'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 Western Washington & Alaska'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.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC
Seattle, Washington
June 26, 2024

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,846,857	\$ 3,325,650
Investments	14,426,298	12,289,973
Promises to give	2,000	167,467
Prepaid expenses	4,114	15,994
Medicaid receivables	149,734	64,136
RMHC receivable	117,123	-
Accounts receivable	4,384	-
Total Current Assets	<u>17,550,510</u>	<u>15,863,220</u>
Investments - long-term	3,682,443	3,622,521
Promises to Give - long-term	-	2,000
Property and Equipment, net	<u>20,473,081</u>	<u>21,036,376</u>
Total Assets	<u>\$ 41,706,034</u>	<u>\$ 40,524,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 413,445	\$ 415,014
Deferred revenue	33,500	34,500
Financing lease obligation, current	1,867	1,770
Total Current Liabilities	448,812	451,284
Financing Lease Obligation, less current portion above	<u>3,696</u>	<u>5,609</u>
Total Liabilities	<u>452,508</u>	<u>456,893</u>
Net Assets		
Without donor restrictions		
Invested in property and equipment	17,517,137	18,080,432
Board designated	20,061,908	18,286,721
Total Net Assets Without Donor Restrictions	<u>37,579,045</u>	<u>36,367,153</u>
With donor restrictions	<u>3,674,482</u>	<u>3,700,071</u>
Total Net Assets	<u>41,253,527</u>	<u>40,067,224</u>
Total Liabilities and Net Assets	<u>\$ 41,706,034</u>	<u>\$ 40,524,117</u>

See notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Annual giving	\$ 1,799,205	\$ 103,205	\$ 1,902,410	\$ 2,439,421	\$ 98,944	\$ 2,538,365
Capital campaign	-	8,000	8,000	-	45,662	45,662
McDonald's support	786,534	-	786,534	610,985	-	610,985
Special events	1,239,200	572,782	1,811,982	585,140	627,016	1,212,156
Planned giving	102,598	-	102,598	158,150	-	158,150
In-kind contributions	222,465	-	222,465	234,763	-	234,763
Satisfaction of purpose restrictions	769,498	(769,498)	-	5,680,002	(5,680,002)	-
Total Public Support	4,919,500	(85,511)	4,833,989	9,708,461	(4,908,380)	4,800,081
Revenues						
Room receipts	947,102	-	947,102	465,107	-	465,107
Other revenue	(2,187)	-	(2,187)	(5,318)	-	(5,318)
Total Revenue	944,915	-	944,915	459,789	-	459,789
Total Public Support and Revenue	5,864,415	(85,511)	5,778,904	10,168,250	(4,908,380)	5,259,870
Expenses						
Program services	5,307,501	-	5,307,501	4,247,652	-	4,247,652
Management and general	483,719	-	483,719	370,056	-	370,056
Cost of direct benefits to donors	148,691	-	148,691	100,362	-	100,362
Fundraising	859,287	-	859,287	756,472	-	756,472
Remittance to Global	10,363	-	10,363	31,638	-	31,638
Total Expenses	6,809,561	-	6,809,561	5,506,180	-	5,506,180
Change in Net Assets Before Gains and Losses	(945,146)	(85,511)	(1,030,657)	4,662,070	(4,908,380)	(246,310)
Gains and Losses						
Investment income, net	2,157,038	59,922	2,216,960	(3,235,649)	(126,746)	(3,362,395)
Total Change in Net Assets	1,211,892	(25,589)	1,186,303	1,426,421	(5,035,126)	(3,608,705)
Net Assets - beginning of year	36,367,153	3,700,071	40,067,224	34,940,732	8,735,197	43,675,929
Net Assets - end of year	\$ 37,579,045	\$ 3,674,482	\$ 41,253,527	\$ 36,367,153	\$ 3,700,071	\$ 40,067,224

See notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023					2022				
	Program Services	Management and General	Cost of Direct Donor Benefits	Fundraising	Total	Program Services	Management and General	Cost of Direct Donor Benefits	Fundraising	Total
Salaries and wages	\$ 1,831,994	\$ 211,930	\$ -	\$ 412,179	\$ 2,456,103	\$ 1,442,339	\$ 180,293	\$ -	\$ 380,618	\$ 2,003,250
Payroll taxes	180,259	15,972	-	31,945	228,176	122,606	15,326	-	32,354	170,286
Employee benefits	353,447	31,854	-	63,320	448,621	280,728	35,091	-	74,081	389,900
Total Salaries and Related Expenses	2,365,700	259,756	-	507,444	3,132,900	1,845,673	230,710	-	487,053	2,563,436
Occupancy	1,585,244	8,135	-	1,273	1,594,652	1,214,911	20,132	-	-	1,235,043
Depreciation	533,775	6,724	-	6,724	547,223	451,966	6,381	-	6,381	464,728
Special events expenses	1,441	1,679	148,691	154,761	306,572	-	-	100,362	102,664	203,026
Alaska House support	280,776	-	-	-	280,776	327,725	391	-	-	328,116
In-kind expense	207,465	-	-	15,000	222,465	232,763	-	-	2,000	234,763
Professional services	30,286	124,471	-	38,937	193,694	-	78,967	-	6,261	85,228
Administrative and operating	72,164	68,369	-	37,039	177,572	73,358	20,149	-	45,694	139,201
Miscellaneous	125,624	5,694	-	4,917	136,235	9,503	7,025	-	3,237	19,765
Armored car expenses	-	-	-	93,192	93,192	-	-	-	103,182	103,182
Insurance	75,239	8,891	-	-	84,130	64,515	6,301	-	-	70,816
Loss on disposal of equipment	29,787	-	-	-	29,787	27,238	-	-	-	27,238
Total Expenses	<u>\$ 5,307,501</u>	<u>\$ 483,719</u>	<u>\$ 148,691</u>	<u>\$ 859,287</u>	\$ 6,799,198	<u>\$ 4,247,652</u>	<u>\$ 370,056</u>	<u>\$ 100,362</u>	<u>\$ 756,472</u>	\$ 5,474,542
Remittance to Global					10,363					31,638
Total Expenses and Remittance to Global					<u>\$ 6,809,561</u>					<u>\$ 5,506,180</u>

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

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	\$ 1,186,303	\$ (3,608,705)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	547,223	464,728
Reinvested investment earnings	(388,766)	(271,024)
Realized and unrealized (gain) loss on investments	(1,827,832)	3,633,467
Loss on disposal of property and equipment	29,787	27,238
Contributions restricted to investment in property and equipment	(8,000)	(145,662)
Change in:		
Promises to give	167,467	359,971
Other receivables	(207,105)	(33,686)
Prepays	11,880	31,042
Accounts payable and accrued expenses	(1,569)	64,711
Deferred revenue	(1,000)	1,500
Net Cash (Used) Provided by Operating Activities	<u>(491,612)</u>	<u>523,580</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(13,715)	(3,071,219)
Purchases of investments	(17,195,634)	(2,995,666)
Proceeds from sale of investments	<u>17,215,985</u>	<u>3,396,268</u>
Net Cash Provided (Used) by Investing Activities	<u>6,636</u>	<u>(2,670,617)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted to investment in property and equipment	8,000	145,662
Payments on financing lease obligation	<u>(1,816)</u>	<u>(1,494)</u>
Net Cash Provided by Financing Activities	<u>6,184</u>	<u>144,168</u>
Change in Cash and Cash Equivalents	(478,793)	(2,002,869)
Total Cash and Cash Equivalents - beginning of year	<u>3,325,650</u>	<u>5,328,519</u>
Total Cash and Cash Equivalents - end of year	<u>\$ 2,846,857</u>	<u>\$ 3,325,650</u>

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ronald McDonald House Charities of Western Washington & Alaska (RMHC) owns and operates the Seattle Ronald McDonald House (Seattle House). With 105 rooms, the Seattle House provides supportive, temporary lodging to families of seriously ill children who must leave their own community to have their children treated at Seattle Children’s Hospital (Children’s). In 2023, 568 families stayed at the Seattle House. In 2022, 399 families stayed at the Seattle House. By providing a “home-away-from-home,” RMHC helps keep families together during a very difficult time in their lives.

RMHC also operates a House in Anchorage, Alaska, in partnership with the Alaska Native Medical Center (ANMC). The 34-room House is within the patient housing building and serves expectant mothers with high risk pregnancies as well as families of pediatric patients at the Alaska Native Medical Center. In 2023, 1,635 families were served at ANMC. In 2022, 1,684 families were served at ANMC.

RMHC also provides van service in Anchorage to transport families who are in Anchorage while their children receive medical care.

RMHC built an expansion (the Expansion) which opened in August 2022. The Expansion allows RMHC to house an additional 25 families per night. As of October 2022, the expansion was operating at full capacity. The total cost of the Expansion was approximately \$12.4 million.

Basis of presentation

RMHC presents its financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Agency is required to report information regarding its financial position and activities based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated net assets otherwise without donor restrictions as follows as of December 31:

	<u>2023</u>	<u>2022</u>
House operations	\$ 17,061,908	\$ 15,286,721
Capital improvements	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 20,061,908</u>	<u>\$ 18,286,721</u>

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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.

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions are available as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure or use for specific purpose:		
Promised land use	\$ 2,955,944	\$ 2,955,944
AK equipment & supply grants	6,164	18,320
RMHC house operations	<u>29,931</u>	<u>103,286</u>
	<u>2,992,039</u>	<u>3,077,550</u>
Subject to RMHC endowment spending policy and appropriation	<u>682,443</u>	<u>622,521</u>
Total net assets with donor restrictions	<u>\$ 3,674,482</u>	<u>\$ 3,700,071</u>

Contributions restricted by donors are reported increases in net assets with donor restrictions when received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Cash and cash equivalents

Cash and 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. RMHC's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. RMHC has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

RMHC 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. Market risk could occur and is dependent on future changes in market prices of the various investments held. Investment returns are reflected net of investment expenses.

RMHC 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.

Certain investments are being held for the following long-term purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Capital improvements	\$ 3,000,000	\$ 3,000,000
Endowment	<u>682,443</u>	<u>622,521</u>
	<u>\$ 3,682,443</u>	<u>\$ 3,622,521</u>

Promises to give

In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received and as assets, reduction of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give at December 31, 2023 and 2022 are \$2,000 and \$172,467, respectively, which are considered fully collectible by management. There are no long-term promises to give as of December 31, 2023.

Medicaid receivables

In accordance with financial accounting standards, room receipts from Medicaid are recognized as revenue in the period earned and recorded as receivables if not paid by year-end. Amounts receivable from Medicaid at December 31, 2023 and 2022 are \$149,736 and \$64,136, respectively, and are included on the statement of financial position.

RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Expenditures for the acquisition of equipment are capitalized at cost. The fair value of donated property, including long-term land leases, and equipment is capitalized on the date of donation. RMHC capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided over the estimated useful lives of the assets on the straight-line method. RMHC uses the direct expensing method to account for planned maintenance activities. Property and equipment consist of the following as of December 31:

	<u>Estimated Useful Lives</u>	<u>2023</u>	<u>2022</u>
Land		\$ 5,457,802	\$ 5,457,802
Building and improvements	15-40 years	22,938,909	23,515,493
Furniture and fixtures	5-7 years	3,011,129	2,434,545
Automobiles	5 years	<u>101,281</u>	<u>117,354</u>
		31,509,121	31,525,194
Accumulated depreciation		<u>(11,036,040)</u>	<u>(10,488,818)</u>
		<u>\$ 20,473,081</u>	<u>\$ 21,036,376</u>

Children's Health Care System (an affiliate of Children's) holds title to, and is the landlord for, all real estate (land) associated with grounds of the RMHC houses. The ground lease associated with the original house is for \$1 per year for a term of 99 years, from May 1983 through April 2082. The use of the land is restricted for the purposes of operating the house or a similar facility. The estimated fair value of the land in 1983, when its use was first donated, was \$829,544. The value of the land is included in net assets with donor restrictions.

The ground lease associated with the second house is for \$1 per year for a term of 99 years, from September 2002 through August 2101. The lease requires the lessor's prior written permission for changes in the agreed upon use of the second house, assignment, subletting, and significant changes related to the initial construction.

In addition, the lease prohibits use of the building as collateral except for a construction loan, and gives the lessor first right to purchase the buildings and equipment at the expiration of the lease term. The estimated fair value of the land in 2002, when its use was first donated, was \$2,126,400. The value of the land is included in net assets with donor restrictions.

RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

RMHC 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. RMHC 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. No impairment losses were recognized for the years ended December 31, 2023 or 2022.

Support and revenue recognition

RMHC recognizes revenue from room stays in the period in which the room is occupied.

RMHC records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

RMHC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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 met. RMHC had no conditional promises to give as of December 31, 2023 or 2022.

Donated goods and services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their estimated fair values at the date of 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. Absent donor stipulations regarding how long those donated assets must be maintained, RMHC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMHC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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 RHMC. However, many individual volunteers donate significant amounts of time and perform a variety of tasks that assist RMHC. For the years ended December 31, 2023 and 2022, management estimates that RMHC received approximately 21,151 and 11,104 hours with estimated values of \$672,602 and \$332,565, respectively. These services do not meet the criteria for recognition and are, therefore, not included in the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated assets, goods, and services meeting the criteria for recognition were used for program services and were as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Donated goods	\$ 194,865	\$ 234,213
Donated services	<u>27,600</u>	<u>550</u>
Total in-kind contributions and expense	<u>\$ 222,465</u>	<u>\$ 234,763</u>

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category.

Certain categories of expenses are attributable to one or more program or supporting functions requiring allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, and occupancy, which are allocated on a square footage basis; salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of time and effort; and all other expenses, which are allocated based on full-time equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Internal Revenue Service has recognized RMHC as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. RMHC follows the provisions of authoritative guidance related to accounting for uncertain tax positions. As of December 31, 2023 and 2022, RMHC did not have any uncertain tax positions requiring accrual.

NOTE B - LIQUIDITY

RMHC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses. Financial assets in excess of the daily cash requirements are invested in a managed stock portfolio.

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE B - LIQUIDITY (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Total financial assets	\$ 21,228,839	\$ 19,471,747
Less financial assets not available for general operations within one year:		
Promises to give due in more than one year	-	(2,000)
Net assets with donor restrictions - non-operating	(6,164)	(18,320)
Board designated capital improvement reserve	(3,000,000)	(3,000,000)
Endowments	<u>(682,443)</u>	<u>(622,521)</u>
	<u>\$ 17,540,232</u>	<u>\$ 15,828,906</u>

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2023 and 2022 is as follows:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
As of December 31, 2023:				
Cash and money market funds	\$ 277,577	\$ -	\$ -	\$ 277,577
Exchange traded funds	16,463,314	-	-	16,463,314
Mutual funds	1,367,850	-	-	1,367,850
Alternative investment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets shown at Fair Value	<u>\$ 18,108,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,108,741</u>

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
As of December 31, 2022:				
Cash and money market funds	\$ 138,941	\$ -	\$ -	\$ 138,941
Equity funds	10,429,427	-	-	10,429,427
Fixed income funds	4,865,289	-	-	4,865,289
Alternative investment funds	<u>478,837</u>	<u>-</u>	<u>-</u>	<u>478,837</u>
Total Assets shown at Fair Value	<u>\$ 15,912,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,912,494</u>

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. RMHC also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - RELATED PARTY TRANSACTIONS

Under the terms of its affiliation agreement with Ronald McDonald House Charities, Inc., RMHC is obligated to remit 25% of certain contributions, net of fundraising expenses, to that national group on a regular basis. For the years ended December 31, 2023 and 2022, RMHC incurred obligations of \$10,363 and \$31,638, respectively, to the national group, of which \$2,711 and \$12,261, respectively, was included in accounts payable at December 31, 2023 and 2022.

NOTE E - RETIREMENT PLAN

RMHC sponsors a 401(k) defined contribution plan (the Plan). The Plan covers all employees from date of hire. RMHC's contributions to the Plan are at the discretion of the Board of Directors. Currently, RMHC will make a 4% contribution for all eligible employees, based on salary, and match an additional 1% of employee contributions. RMHC's contributions for the years ended December 31, 2023 and 2022 totaled \$111,303 and \$98,835, respectively.

NOTE F - FINANCING LEASE COMMITMENT

In August 2021, RMHC entered into a non-cancelable financing lease for certain office equipment with a cost of \$9,428. Accumulated depreciation totaled \$4,400 as of December 31, 2023. Depreciation expense reported in the statements of activities includes \$1,887 for the equipment under capital lease. Monthly payments are \$296 including taxes, service fees and interest at 5.2% per annum. Scheduled lease payments for the years ending December 31 are as follows:

2024	2,145
2025	2,145
2026	<u>1,430</u>
	5,720
Less amounts representing interest	<u>(157)</u>
	<u><u>\$ 5,563</u></u>

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE G - OPERATING AGREEMENT

RMHC and Seattle Children's Hospital have a Memorandum of Understanding which is negotiated and renewed annually. RMHC provides rooms exclusively for families of patients at Children's and Children's provides annual financial support. For the years ended December 31, 2023 and 2022, \$577,979 and \$550,456, respectively, was received. For the year ending December 31, 2024, \$606,878 will be received.

NOTE H - ENDOWMENT

RMHC's endowment consists of one donor restricted fund ("the Fund") established in 1993 by Mrs. Kroc to help with ongoing "operating expenses." In accordance with financial accounting standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no funds designated by the Board of Directors to function as endowments.

Interpretation of Relevant Law

Based on the Board of Directors' interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in the State of Washington, the original amount of donor-restricted contributions to the endowment plus any required accumulations are not expendable.

As a result of this interpretation, RMHC 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.

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

One hundred percent of the endowment's earnings are available to be spent in the year earned on operating expenses. These earnings represent interest and dividends, exclusive of gains and losses. In establishing this policy, RMHC considered the long-term expected return on its endowment. Accordingly, over the long term, RMHC expects the current spending policy to allow its endowment to maintain purchasing power of the assets held in perpetuity as well as to provide additional real growth through new gifts and investment appreciation.

Return Objectives and Risk Parameters

The investment policy includes a target allocation table that allows for diversity and performance measurement against the appropriate index. The long-term objective of the Fund is to provide income and achieve a target rate of return of CPI + 4% annualized over a full market cycle, defined as 5 to 7 years, with diversification employed to reduce risk.

RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE H - ENDOWMENT (Continued)

The relative objectives of the policy are to generate a return in excess of the passive portfolio benchmark for each asset class, exceed the rate of inflation, assumed to be approximately 3% annually over a five- to 10-year period, and exceed the 50th percentile return of a universe comprised of funds or managers with similar objectives and/or styles.

Change in endowment funds for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment, beginning of year	\$ 622,521	\$ 749,267
Investment returns, net	59,922	(126,746)
Appropriated for expenditure	<u>-</u>	<u>-</u>
Donor-restricted endowment, end of year	<u>\$ 682,443</u>	<u>\$ 622,521</u>

NOTE I - MAJOR CONTRIBUTOR

Contributions from Children's and Western Washington McDonald's Owner Operators Association accounted for 10% and 14%, respectively, of total operating revenue during the year ended December 31, 2023.

Contributions from Children's and Western Washington McDonald's Owner Operators Association accounted for 17% and 7%, respectively, of total operating revenue during the year ended December 31, 2022.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2023 through June 26, 2024 which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2023, including the estimates inherent in the processing of financial statements.