

**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.  
(A NONPROFIT ORGANIZATION)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

Ronald McDonald House Charities of Alabama, Inc.  
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December 31, 2023 and 2022

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## **Independent Auditors' Report**

To the Board of Directors  
Ronald McDonald House Charities of Alabama, Inc.  
Birmingham, Alabama

### **Opinion**

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

### **Basis for Opinion**

We conducted our 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 Alabama, Inc. 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 Alabama, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Kassouf & Co., Inc.**

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## 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 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 Alabama, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Alabama, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KASSOUF & CO., INC.

A handwritten signature in black ink that reads "Kassouf & Co." in a cursive, stylized font.

CPAs and Advisors

June 25, 2024

**STATEMENTS OF FINANCIAL POSITION**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,606,518	\$ 1,046,528
Pledges receivable, net	58,223	188,815
Receivable - Employee Retention Tax Credit	-	16,208
Investments	5,114,519	4,293,494
Prepaid expenses	26,692	34,244
Contribution receivable, net	2,205,350	2,315,930
Cash surrender value of life insurance	40,652	38,983
Property and equipment, net	10,734,849	11,115,989
<b>Total Assets</b>	<b>\$ 19,786,803</b>	<b>\$ 19,050,191</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 49,356	\$ 29,805
Deferred revenue	105,728	77,614
Accrued vacation	106,305	100,384
<b>Total Liabilities</b>	<b>261,389</b>	<b>207,803</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	14,581,494	14,103,226
Board Designated	1,677,279	1,542,476
With donor restrictions	3,266,641	3,196,686
<b>Total Net Assets</b>	<b>19,525,414</b>	<b>18,842,388</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,786,803</b>	<b>\$ 19,050,191</b>

See independent auditors' report.

**STATEMENT OF ACTIVITIES**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Special events	\$ 642,259	\$ -	\$ 642,259
Contributions	2,839,232	155,025	2,994,257
In-kind contributions	27,053	-	27,053
Investment income (loss)	500,398	115,693	616,091
Canister donations, net	31,391	-	31,391
Other income	20,897	-	20,897
	4,061,230	270,718	4,331,948
Net assets released from restrictions	200,763	(200,763)	-
Total revenues and other support	4,261,993	69,955	4,331,948
<b>Expenses</b>			
Program	2,441,460	-	2,441,460
Management and general	423,821	-	423,821
Fundraising	714,458	-	714,458
Costs of direct benefits to donors	69,183	-	69,183
Total expenses	3,648,922	-	3,648,922
<b>Change in Net Assets</b>	613,071	69,955	683,026
Net assets, beginning of year	15,645,702	3,196,686	18,842,388
Net assets, end of year	<u>\$ 16,258,773</u>	<u>\$ 3,266,641</u>	<u>\$ 19,525,414</u>

See independent auditors' report.

**STATEMENT OF ACTIVITIES**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Special events	\$ 655,686	\$ -	\$ 655,686
Contributions	2,131,891	198,984	2,330,875
In-kind contributions	51,000	-	51,000
Investment income (loss)	(614,282)	(171,384)	(785,666)
Canister donations, net	68,399	-	68,399
Other income	22,984	-	22,984
	<u>2,315,678</u>	<u>27,600</u>	<u>2,343,278</u>
Net assets released from restrictions	<u>148,639</u>	<u>(148,639)</u>	<u>-</u>
Total revenues and other support	2,464,317	(121,039)	2,343,278
<b>Expenses</b>			
Program	2,274,875	-	2,274,875
Management and general	388,168	-	388,168
Fundraising	686,233	-	686,233
Costs of direct benefits to donors	56,448	-	56,448
Total expenses	<u>3,405,724</u>	<u>-</u>	<u>3,405,724</u>
<b>Change in Net Assets</b>	(941,407)	(121,039)	(1,062,446)
Net assets, beginning of year	<u>16,587,109</u>	<u>3,317,725</u>	<u>19,904,834</u>
Net assets, end of year	<u>\$ 15,645,702</u>	<u>\$ 3,196,686</u>	<u>\$ 18,842,388</u>

See independent auditors' report.

**STATEMENTS OF CASH FLOWS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 683,026	\$ (1,062,446)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	385,814	508,167
Contributed rent	136,956	134,455
Amortization of discount - contribution receivable	(26,376)	(23,202)
Renewal of long term lease - UAB Family Room	-	(175,782)
Decrease in unamortized discount - pledges receivable	-	(2,973)
(Increase) decrease in allowance for doubtful accounts - pledges receivable	32,119	(93,322)
Net realized and unrealized (gain) loss on investments	(487,266)	866,809
(Increase) decrease in cash surrender value of life insurance	(1,669)	639
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	98,473	165,495
Receivable - Employee Retention Credit	16,208	73,913
Prepaid expenses	7,552	(7,554)
Accounts payable	19,551	(30,204)
Deferred revenue	28,114	45,417
Accrued vacation	5,921	14,217
Net cash provided by operating activities	898,423	413,629
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(4,674)	(7,192)
Purchase of investments	(444,371)	(506,392)
Proceeds from sale of investments	110,612	20,528
Net cash used in investing activities	(338,433)	(493,056)
<b>Net Change in Cash and Cash Equivalents</b>	559,990	(79,427)
Cash and cash equivalents, beginning of year	1,046,528	1,125,955
Cash and cash equivalents, end of year	<u>\$ 1,606,518</u>	<u>\$ 1,046,528</u>
<b>Supplemental Disclosure of Cash Flows Information</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 26,086</u>

See independent auditors' report.



**STATEMENT OF FUNCTIONAL EXPENSES**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefits To Donors</b>	<b>Total</b>
Salaries and related expenses	\$ 1,091,382	\$ 316,853	\$ 309,126	\$ -	\$ 1,717,361
Depreciation	347,233	30,865	7,716	-	385,814
Direct benefits to donors	-	-	-	69,183	69,183
Professional fees	41,429	12,028	225,695	-	279,152
Repairs and maintenance	148,892	13,235	3,309	-	165,435
Utilities	137,987	12,266	3,066	-	153,319
Marketing	153,167	-	-	-	153,167
Rent	123,260	10,956	2,739	-	136,956
Janitorial services	115,155	10,236	2,559	-	127,950
Supplies	71,179	6,327	1,582	-	79,088
Special events	-	-	74,050	-	74,050
Security expense	73,181	-	-	-	73,181
Insurance	63,834	5,674	1,419	-	70,927
Fundraising expense	-	-	44,477	-	44,477
Miscellaneous	32,079	2,851	713	-	35,643
Bad debt expense	-	-	32,119	-	32,119
House supplies	20,978	-	-	-	20,978
Bank service charges	11,272	1,002	250	-	12,524
Conferences and meetings	5,594	497	124	-	6,216
Postage and delivery	-	601	5,406	-	6,007
Donor, volunteer and staff recognition	2,872	255	64	-	3,191
Dues and subscriptions	1,966	175	44	-	2,184
	<u>\$ 2,441,460</u>	<u>\$ 423,821</u>	<u>\$ 714,458</u>	<u>\$ 69,183</u>	<u>\$ 3,648,922</u>

See independent auditors' report.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefits To Donors</b>	<b>Total</b>
Salaries and related expenses	\$ 944,943	\$ 274,338	\$ 267,647	\$ -	\$ 1,486,928
Depreciation	457,351	40,653	10,163	-	508,167
Direct benefits to donors	-	-	-	56,448	56,448
Professional fees	45,871	13,318	300,455	-	359,644
Repairs and maintenance	124,639	11,079	2,770	-	138,488
Rent	121,010	10,756	2,689	-	134,455
Utilities	118,688	10,550	2,638	-	131,876
Janitorial services	116,000	10,311	2,578	-	128,889
Supplies	73,232	6,510	1,627	-	81,369
Marketing	79,445	-	-	-	79,445
Insurance	61,504	5,467	1,367	-	68,338
Security expense	61,677	-	-	-	61,677
Special events	-	-	59,422	-	59,422
Miscellaneous	36,003	3,201	800	-	40,004
Fundraising expense	-	-	30,903	-	30,903
House supplies	15,621	-	-	-	15,621
Bank service charges	9,726	865	216	-	10,807
Conferences and meetings	4,152	369	92	-	4,613
Postage and delivery	-	306	2,754	-	3,060
Donor, volunteer and staff recognition	2,737	243	61	-	3,041
Dues and subscriptions	2,276	202	51	-	2,529
	<u>\$ 2,274,875</u>	<u>\$ 388,168</u>	<u>\$ 686,233</u>	<u>\$ 56,448</u>	<u>\$ 3,405,724</u>

See independent auditors' report.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Ronald McDonald House Charities of Alabama, Inc. ("RMHCA") is a publicly supported not-for-profit corporation. The purpose of RMHCA is to own and operate the Ronald McDonald House of Birmingham, Alabama (the "House") for use by children and their immediate families needing low-cost lodging during testing and treatment at any Birmingham area medical facility. RMHCA also operates the Ronald McDonald Family Room at DCH Regional Hospital in Tuscaloosa, Alabama, which opened on March 23, 2010. The bylaws of RMHCA allow for solicitation of contributions from the general public and for contributions to those tax-exempt organizations which, in the opinion of RMHCA's Board of Directors, are the most appropriate recipients, considering RMHCA's primary goal of helping children reach their fullest potential, by making grants in the areas of health care and medical research, civic and social services and education and the arts.

**Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when promised, revenue is recognized when earned and expenses are recognized when incurred.

RMHCA reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net assets categories and the types of transactions affecting each category follow:

*Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of gifts without restrictions, previously restricted gifts whose donor-imposed restrictions were met during the year, investment income, and the expenses associated with the core activities of RMHCA: operation of the House and other programs, management and general, and fundraising expenses.

*With Donor Restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of RMHCA or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

RMHCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities and changes in net assets as net assets released from restrictions.

All other net assets, including Board designated or appropriated amounts are legally unrestricted and are reported as net assets without donor restrictions.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1.      SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Revenue Sources**

RMHCA receives support from direct contributions from the public and public support through McDonald's restaurants, grants from Ronald McDonald House Charities, Inc., foundations and other organizations, fundraising activities, recycling pop tabs, merchant collaborations, support from owners and operators of McDonald's restaurants, investment earnings and house guest fees. Periodically, RMHCA also conducts capital and other special-purpose campaigns for the improvement and maintenance of the House.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, RMHCA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Pledges Receivable**

Pledges receivable are recognized as revenues in the period received and are recorded at present value, net of an allowance for uncollectible pledges ("allowance"). The allowance is maintained at the level believed adequate by management to absorb probable losses. Management's determination of the adequacy of the allowance is based on an evaluation of the outstanding pledges, historical loss experience, current economic conditions, and other relevant factors. Management has recorded an allowance of \$64,936 and \$32,817 as of December 31, 2023 and 2022, respectively.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value. Realized and unrealized gains or losses are included in the change in net assets in the accompanying statements of activities.

**Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Furniture, equipment and software are generally depreciated over 3-7 years. The building is being depreciated over 39 years.

RMHCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset is less than the carrying value.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1.        SIGNIFICANT ACCOUNTING POLICIES - Continued**

**In-Kind Contributions**

Donations of supplies and services are recorded at their fair value at the date of donation are utilized to carry out RMHCA's mission of providing low cost lodging and related services to children needing testing and treatment at any Birmingham area hospital, and their immediate families. If donors stipulate restrictions in the usage of donated supplies and services, the contributions are recorded as support with donor restrictions. In absence of such stipulations, contributions of supplies and services are recorded as support without donor restrictions. In addition, RMHCA received donated goods and services from other contributors and volunteers which are not measurable and, therefore, have been excluded from the financial statements.

RMHCA recorded donated house and food supplies totaling \$27,053 and \$51,000 for the years ended December 31, 2023 and 2022, respectively, as contribution revenue and program expense in the accompanying statements of activities.

RMHCA facilities are located on land initially donated for a period of 41 years. The rent-free use of the property was extended for an additional 10-year period in late 2016. A receivable has been recorded for the gross amount of the estimated rental contributions over that period, less a discount to present value. Rental expense is recorded annually through a reduction of the gross receivable in the amount of the annual rental contribution. Contribution revenue is recorded annually through the amortization of the discount. See Note 5.

RMHCA also utilizes space provided at no charge for a Family Room at the UAB Women's and Infant's Center. See Note 5.

**Deferred Revenue**

Deferred revenue consists of amounts received in advance for special events to be held after the end of the year.

**Functional Classification of Expenses**

RMHCA's primary service is the operation of the House. Amounts reported as program expenses are in support of this primary activity. Natural expenses attributable to more than one functional expense category are allocated primarily based upon time estimates.

**Tax Status**

RMHCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1.      SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Uncertain Tax Positions**

As of December 31, 2023, RMHCA has no uncertain tax positions that qualify for recognition or disclosure in the financial statements. With few exceptions, RMHCA is no longer subject to income tax examinations by federal or state tax authorities for tax years before 2020.

**Use of Estimates**

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

**Subsequent Events**

RMHCA evaluated subsequent events through June 25, 2024, which is the date the financial statements were available to be issued.

**NOTE 2.      PLEDGES RECEIVABLE**

Timing of future receipts of pledges receivable as well as the allowance for uncollectible pledges are estimated as follows:

Pledges to be collected:

To be received within one year	\$      123,159
Less: allowance for uncollectible pledges	<u>(64,936)</u>

Pledges receivable, net	<u><u>\$      58,223</u></u>
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**NOTE 3.      FAIR VALUE MEASUREMENTS**

Authoritative accounting literature establishes a framework for using fair value to measure assets and liabilities and defines fair value as a price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 3. FAIR VALUE MEASUREMENTS – Continued**

Required disclosures include stratification of statement of financial position amounts measured at fair value based on inputs RMHCA uses to derive fair value measurements. These strata include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in market, but observable based on Company-specific data. These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The assets' or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

**Investments** consist of U.S. Treasuries, asset backed securities (primarily agency securities), corporate bonds and equity securities.

RMHCA uses quoted market prices of identical assets on active exchanges - Level 1 measurements.

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 RMHCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 3. FAIR VALUE MEASUREMENTS – Continued**

The following tables present financial assets measured at fair value on a recurring basis as of December 31, by caption on the statement of financial position and by the valuation hierarchy defined above:

		<b>2023</b>	
		<b>Level 1</b>	<b>Total</b>
Common stocks and mutual funds	\$	3,246,600	\$ 3,246,600
Fixed income securities		1,867,919	1,867,919
Investments	\$	<u>5,114,519</u>	<u>\$ 5,114,519</u>
		<b>2022</b>	
		<b>Level 1</b>	<b>Total</b>
Common stocks and mutual funds	\$	2,655,819	\$ 2,655,819
Fixed income securities		1,637,675	1,637,675
Investments	\$	<u>4,293,494</u>	<u>\$ 4,293,494</u>

There were no Level 2 or Level 3 measurements as of December 31, 2023 and 2022.

The composition of investment income for the years ended December 31, is as follows:

	<b>2023</b>	<b>2022</b>
Net realized and unrealized gains (losses)	\$ 487,266	\$ (869,301)
Interest and dividend income	165,120	118,497
Investment management fees	(36,295)	(34,862)
	<u>\$ 616,091</u>	<u>\$ (785,666)</u>

Investments are held and managed by Regions.



**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 4. PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31 is as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Building	\$ 14,871,499	\$ 14,871,499
Furniture and fixtures	1,154,239	1,154,239
Equipment	334,907	354,000
Leasehold improvements	98,894	98,894
Computer software	76,362	79,470
Accumulated depreciation	<u>(5,801,052)</u>	<u>(5,442,113)</u>
Property and equipment, net	<u><u>\$ 10,734,849</u></u>	<u><u>\$ 11,115,989</u></u>

**NOTE 5. BENEFICIAL USE OF LAND AND FACILITIES**

During 2006, RMHCA entered a lease agreement with Children's Hospital Foundation for land on which the House was constructed. The lease was for a term of 41 years, and RMHCA is not required to make rental payments. In late 2016, the lease period was extended for an additional ten years.

During 2017, RMHCA entered a lease agreement with UAB which provided approximately 2,000 square feet of space in the Women's and Infant's Center for the Ronald McDonald Family Room. The lease is for a period of five years and does not require rental payments. The lease was renewed for an additional five year period during 2022 under identical terms.

A contribution has been recorded at the present value of the future contributions of rent.

The related contribution receivable is comprised of the following as of December 31:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Total rental contribution receivable	\$ 4,618,518	\$ 4,755,474
Less: discount to present value	<u>(2,413,168)</u>	<u>(2,439,544)</u>
Contribution receivable, net	<u><u>\$ 2,205,350</u></u>	<u><u>\$ 2,315,930</u></u>

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**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
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**NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
<b>Subject to time or purpose restrictions:</b>		
Future periods - rental contribution, net	\$ 2,205,350	\$ 2,315,930
Future periods - meals program	83,087	-
DCH Family Room	8,934	8,934
Accumulated earnings on endowment	<u>437,870</u>	<u>340,422</u>
	2,735,241	2,665,286
<b>Not subject to appropriation or expenditure:</b>		
Endowment	<u>531,400</u>	<u>531,400</u>
Total net assets with donor restrictions	<u>\$ 3,266,641</u>	<u>\$ 3,196,686</u>

Net assets were released from restrictions during the years ended December 31 in satisfaction of the following purposes:

	<u>2023</u>	<u>2022</u>
Contributed rent	\$ 136,956	\$ 134,455
Meals program	45,562	-
Appropriation - spending policy	<u>18,245</u>	<u>14,184</u>
Net assets released from restrictions	<u>\$ 200,763</u>	<u>\$ 148,639</u>

**NOTE 7. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Undesignated	\$ 14,581,494	\$ 14,103,226
Board designated - endowment	<u>1,677,279</u>	<u>1,542,476</u>
Total net assets without donor restrictions	<u>\$ 16,258,773</u>	<u>\$ 15,645,702</u>

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**NOTE 8.        DEFINED CONTRIBUTION PLAN**

A SIMPLE IRA plan is available to the employees of RMHCA. Under the plan, the Organization contributes an amount equal to 3% of salary to the accounts of all employees who are at least twenty-one years old, have one year service, and work at least one thousand hours a year. Employer matching contributions under the plan totaled \$27,408 and \$23,737 for the years ended December 31, 2023 and 2022, and are included in salaries and related expenses on the statement of functional expenses.

**NOTE 9.        CONCENTRATION OF CREDIT RISK**

Financial instruments that are potentially subject RMHCA to concentrations of credit risk consist primarily of cash and cash equivalents. RMHCA maintains cash balances in financial institutions in Alabama. At times, RMHCA may have cash deposits in a financial institution in excess of the amounts insured by the Federal Depository Insurance Corporation.

**NOTE 10.      ENDOWMENT FUNDS**

RMHCA's endowment consists of two individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

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 various funds
- (2) The purposes of RMHCA 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 RMHCA
- (7) The investment policies of RMHCA

**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10. ENDOWMENT FUNDS – Continued**

**Investment Return Objectives and Risk Parameters**

RMHCA 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 RMHCA must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of comparable recognized measures of performance, while assuming a moderate level of investment risk. RMHCA expects its endowment funds, over time, to provide an average rate of return of approximately 6 percentage points higher than the rate of inflation. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, RMHCA relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHCA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

RMHCA has a policy of appropriating for distribution each year up to 4% of the market value of the endowment funds at the time the distribution is made. This policy is based on the expectation that the endowment will grow by 5-6% annually.

**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 RMHCA to retain a fund of perpetual duration. There were no such deficiencies as of December 31, 2023 or 2022.

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**NOTE 10. ENDOWMENT FUNDS – Continued**

Endowment net asset composition and changes for the years ended December 31, are as follows:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning of year	\$ 1,542,476	\$ 871,822	\$ 2,414,298
Contributions	-	-	-
Investment income	204,690	115,693	320,383
Appropriation - spending policy	(69,887)	(18,245)	(88,132)
End of year balance	<u>\$ 1,677,279</u>	<u>\$ 969,270</u>	<u>\$ 2,646,549</u>
Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ -	\$ 531,400	\$ 531,400
Board designated amounts functioning as endowment	1,677,279	-	1,677,279
Accumulated earnings	-	437,870	437,870
Total - as above	<u>\$ 1,677,279</u>	<u>\$ 969,270</u>	<u>\$ 2,646,549</u>
	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning of year	\$ 1,917,545	\$ 1,057,390	\$ 2,974,935
Contributions	-	-	-
Investment income	(310,800)	(171,384)	(482,184)
Appropriation - spending policy	(64,269)	(14,184)	(78,453)
End of year balance	<u>\$ 1,542,476</u>	<u>\$ 871,822</u>	<u>\$ 2,414,298</u>
Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ -	\$ 531,400	\$ 531,400
Board designated amounts functioning as endowment	1,542,476	-	1,542,476
Accumulated earnings	-	340,422	340,422
Total - as above	<u>\$ 1,542,476</u>	<u>\$ 871,822</u>	<u>\$ 2,414,298</u>

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**NOTE 11. LIQUIDITY AND AVAILABILITY**

As a part of RMHCA's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, such as operating expenses, scheduled principal debt payments, and other obligations come due.

RMHCA's financial assets as of the financial statement reporting date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date are as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Financial assets:		
Cash and cash equivalents	\$ 1,606,518	\$ 1,046,528
Pledges and receivables - due within one year	58,223	188,815
Investments	<u>5,114,519</u>	<u>4,293,494</u>
	6,779,260	5,528,837
Less those unavailable for general expenditures within one year:		
Investments/cash - donor restricted	<u>(1,677,279)</u>	<u>(1,542,426)</u>
Financial assets available to meet cash needs within one year	<u><u>\$ 5,101,981</u></u>	<u><u>\$ 3,986,411</u></u>