

Ronald McDonald House
Charities of Alabama, Inc.
(A Nonprofit Organization)

Financial Statements
December 31, 2022 and 2021



Ronald McDonald House Charities of Alabama, Inc.
Table of Contents
December 31, 2022 and 2021

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7-8
Notes to Financial Statements	9-22



Independent Auditor's 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, 2022 and 2021, 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 December 31, 2022 and 2021, 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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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of 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

August 31, 2023

STATEMENTS OF FINANCIAL POSITION
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,046,528	\$ 1,125,955
Pledges receivable, net	188,815	258,202
Receivable - Employee Retention Tax Credit	16,208	90,121
Investments	4,293,494	4,674,439
Prepaid expenses	34,244	26,503
Contribution receivable, net	2,315,930	2,251,401
Cash surrender value of life insurance	38,983	39,622
Property and equipment, net	<u>11,115,989</u>	<u>11,616,964</u>
Total Assets	<u><u>\$ 19,050,191</u></u>	<u><u>\$ 20,083,207</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 29,805	\$ 60,009
Deferred revenue	77,614	32,197
Accrued vacation	<u>100,384</u>	<u>86,167</u>
Total Liabilities	207,803	178,373
Net Assets		
Without donor restrictions:		
Undesignated	14,103,226	14,669,564
Board Designated	1,542,476	1,917,545
With donor restrictions	<u>3,196,686</u>	<u>3,317,725</u>
Total Net Assets	<u>18,842,388</u>	<u>19,904,834</u>
Total Liabilities and Net Assets	<u><u>\$ 19,050,191</u></u>	<u><u>\$ 20,083,207</u></u>

See independent auditors' report.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Special events	\$ 655,686	\$ -	\$ 655,686
Less: costs of direct benefits to donors	(56,448)	-	(56,448)
Special events, net	<u>599,238</u>	<u>-</u>	<u>599,238</u>
Contributions	2,182,891	198,984	2,381,875
Investment income	(614,282)	(171,384)	(785,666)
Canister donations, net	68,399	-	68,399
Other income	<u>22,984</u>	<u>-</u>	<u>22,984</u>
	2,259,230	27,600	2,286,830
Net assets released from restrictions	<u>148,639</u>	<u>(148,639)</u>	<u>-</u>
Total revenues and other support	2,407,869	(121,039)	2,286,830
Expenses			
Program	2,457,560	-	2,457,560
Management and general	441,205	-	441,205
Fundraising	<u>450,511</u>	<u>-</u>	<u>450,511</u>
Total expenses	<u>3,349,276</u>	<u>-</u>	<u>3,349,276</u>
Change in Net Assets	(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><u>\$ 15,645,702</u></u>	<u><u>\$ 3,196,686</u></u>	<u><u>\$ 18,842,388</u></u>

See independent auditors' report.

STATEMENT OF ACTIVITIES
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Special events	\$ 403,077	\$ -	\$ 403,077
Less: costs of direct benefits to donors	<u>(21,330)</u>	<u>-</u>	<u>(21,330)</u>
Special events, net	381,747	-	381,747
Contributions	2,548,594	13,400	2,561,994
Investment income	368,043	105,761	473,804
Canister donations, net	69,938	-	69,938
Other income	<u>315,027</u>	<u>-</u>	<u>315,027</u>
	3,683,349	119,161	3,802,510
Net assets released from restrictions	<u>151,415</u>	<u>(151,415)</u>	<u>-</u>
Total revenues and other support	3,834,764	(32,254)	3,802,510
Expenses			
Program	2,021,676	-	2,021,676
Management and general	341,346	-	341,346
Fundraising	<u>555,239</u>	<u>-</u>	<u>555,239</u>
Total expenses	<u>2,918,261</u>	<u>-</u>	<u>2,918,261</u>
Change in Net Assets	916,503	(32,254)	884,249
Net assets, beginning of year	<u>15,670,606</u>	<u>3,349,979</u>	<u>19,020,585</u>
Net assets, end of year	<u><u>\$ 16,587,109</u></u>	<u><u>\$ 3,317,725</u></u>	<u><u>\$ 19,904,834</u></u>

See independent auditors' report.

STATEMENTS OF CASH FLOWS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,062,446)	\$ 884,249
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	508,167	463,576
Contributed rent	134,455	129,469
Amortization of discount - contribution receivable	(23,202)	(13,400)
Renewal of long term lease - UAB Family Room	(175,782)	-
(Decrease) in unamortized discount - pledges receivable	(2,973)	(5,612)
Increase (Decrease) in allowance for doubtful accounts - pledges receivable	(93,322)	57,314
Net realized and unrealized (gain) on investments	866,809	(268,446)
(Increase) in cash surrender value of life insurance	639	(1,010)
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	165,495	143,974
Other receivables	73,913	(90,121)
Prepaid expenses	(7,554)	(11,941)
Accounts payable	(30,204)	10,837
Deferred revenue	45,417	9,697
Accrued vacation	14,217	12,262
Net cash provided by operating activities	413,629	1,320,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,192)	(639,539)
Purchase of investments	(506,392)	(955,212)
Proceeds from sale of investments	20,528	695,645
Net cash (used in) provided by investing activities	(493,056)	(899,106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments - note payable	-	(370,000)
Net cash (used in) financing activities	-	(370,000)
Net Change in Cash and Cash Equivalents	(79,427)	51,742
Cash and cash equivalents, beginning of year	1,125,955	1,074,213
Cash and cash equivalents, end of year	<u>\$ 1,046,528</u>	<u>\$ 1,125,955</u>
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for interest	<u>\$ 26,086</u>	<u>\$ 52,686</u>

See independent auditors' report.

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

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 944,943	\$ 274,338	\$ 267,647	\$ 1,486,928
Depreciation	457,351	40,653	10,163	508,167
Professional fees	228,556	66,355	64,733	359,644
House supplies	15,621	-	-	15,621
Utilities	118,688	10,550	2,638	131,876
Rent	121,010	10,756	2,689	134,455
Repairs and maintenance	124,639	11,079	2,770	138,488
Janitorial services	116,000	10,311	2,578	128,889
Marketing	79,445	-	-	79,445
Insurance	61,504	5,467	1,367	68,338
Special events	-	-	59,422	59,422
Postage and delivery	-	306	2,754	3,060
Security expense	61,677	-	-	61,677
Supplies	73,232	6,510	1,627	81,369
Miscellaneous	36,003	3,201	800	40,004
Bank service charges	9,726	865	216	10,807
Fundraising expense	-	-	30,903	30,903
Donor, volunteer and staff recognition	2,737	243	61	3,041
Conferences and meetings	4,152	369	92	4,613
Dues and subscriptions	2,276	202	51	2,529
	<u>\$ 2,457,560</u>	<u>\$ 441,205</u>	<u>\$ 450,511</u>	<u>\$ 3,349,276</u>

See independent auditors' report.

STATEMENT OF FUNCTIONAL EXPENSES
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 859,143	\$ 249,429	\$ 243,345	\$ 1,351,917
Depreciation	417,218	37,086	9,272	463,576
Professional fees	48,638	4,323	160,380	213,341
House supplies	22,358	-	-	22,358
Utilities	93,735	8,332	2,083	104,150
Rent	116,522	10,358	2,589	129,469
Interest expense	5,993	-	-	5,993
Repairs and maintenance	105,844	9,408	2,352	117,604
Janitorial services	95,345	8,475	2,119	105,939
Marketing	55,101	-	-	55,101
Insurance	47,280	4,203	1,050	52,533
Special events	-	-	31,667	31,667
Postage and delivery	-	506	4,558	5,064
Security expense	50,706	-	-	50,706
Supplies	73,684	6,550	1,637	81,871
Miscellaneous	13,216	1,174	294	14,684
Bank service charges	11,735	1,043	261	13,039
Fundraising expense	-	-	36,204	36,204
Donor, volunteer and staff recognition	2,189	195	48	2,432
Conferences and meetings	1,619	144	36	1,799
Dues and subscriptions	1,350	120	30	1,500
Bad debt expense	-	-	57,314	57,314
	<u>\$ 2,021,676</u>	<u>\$ 341,346</u>	<u>\$ 555,239</u>	<u>\$ 2,918,261</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

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.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting and Financial Statement Presentation - Continued

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.

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 \$32,817 and \$126,139 as of December 31, 2022 and 2021, 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.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

In-Kind Contributions

Donations of supplies and services are recorded at their fair value at the date of donation. 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 \$51,000 and \$45,000 for the years ended December 31, 2022 and 2021, respectively, as contribution revenue and program expense in the accompanying statements of activities.

Deferred Revenue

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

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Rent

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 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.

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.

Uncertain Tax Positions

As of December 31, 2022, 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 2019.

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.

Reclassifications

Certain amounts in the 2021 presentation have been reclassified to conform with the 2022 presentation.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

RMHCA evaluated subsequent events through August 31, 2023, 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	\$ 221,632
Less: allowance for uncollectible pledges	<u>(32,817)</u>
Pledges receivable, net	\$ 188,815

Pledge receivables have been discounted utilizing an effective interest rate of 5%.

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.

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

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 3. FAIR VALUE MEASUREMENTS – Continued

- 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, 2022 AND 2021

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:

		2022	
		Level 1	Total
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>
		2021	
		Level 1	Total
Common stocks and mutual funds		\$ 3,016,552	\$ 3,016,552
Fixed income securities		1,657,887	1,657,887
Investments		<u>\$ 4,674,439</u>	<u>\$ 4,674,439</u>

There were no Level 2 or Level 3 measurements as of December 31, 2022 and 2021.

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

	2022	2021
Net realized and unrealized gains	\$ (869,301)	\$ 403,820
Interest and dividend income	118,497	104,733
Investment management fees	<u>(34,862)</u>	<u>(34,749)</u>
	<u>\$ (785,666)</u>	<u>\$ 473,804</u>

Investments are held and managed by Regions.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 4. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Building	\$ 14,871,499	\$ 14,871,499
Furniture and fixtures	1,154,239	1,154,239
Equipment	354,000	346,807
Leasehold improvements	98,894	98,894
Computer software	79,470	79,470
Accumulated depreciation	<u>(5,442,113)</u>	<u>(4,933,945)</u>
Property and equipment, net	<u><u>\$ 11,115,989</u></u>	<u><u>\$ 11,616,964</u></u>

NOTE 5. BENEFICIAL USE OF LAND

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>2022</u>	<u>2021</u>
Total rental contribution receivable	\$ 4,755,474	\$ 4,682,139
Less: discount to present value	<u>(2,439,544)</u>	<u>(2,430,738)</u>
Contribution receivable, net	<u><u>\$ 2,315,930</u></u>	<u><u>\$ 2,251,401</u></u>

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 6. NOTE PAYABLE

During 2017, RMHCA entered a note payable agreement with a local bank to fund improvements to the House. The note was repaid during 2021.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to time or purpose restrictions:		
Future periods - rental contribution, net	\$ 2,315,930	\$ 2,251,401
DCH Family Room	8,934	8,934
Accumulated earnings on endowment	<u>340,422</u>	<u>525,990</u>
	2,665,286	2,786,325
Not subject to appropriation or expenditure:		
Endowment	<u>531,400</u>	<u>531,400</u>
Total net assets with donor restrictions	<u><u>\$ 3,196,686</u></u>	<u><u>\$ 3,317,725</u></u>

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

	<u>2022</u>	<u>2021</u>
Contributed rent	\$ 134,455	\$ 129,499
Appropriation - spending policy	<u>14,184</u>	<u>21,916</u>
Net assets released from restrictions	<u><u>\$ 148,639</u></u>	<u><u>\$ 151,415</u></u>

NOTE 8. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 14,103,226	\$ 14,669,564
Board designated - endowment	<u>1,542,476</u>	<u>1,917,545</u>
Total net assets without donor restrictions	<u><u>\$ 15,645,702</u></u>	<u><u>\$ 16,587,109</u></u>

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 9. 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

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.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 9. ENDOWMENT FUNDS - Continued

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, 2022 or 2021.

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 9. ENDOWMENT FUNDS - Continued

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 1,801,714	\$ 973,545	\$ 2,775,259
Contributions	-	-	-
Investment income	195,729	105,761	301,490
Appropriation - spending policy	(79,898)	(21,916)	(101,814)
End of year balance	<u>\$ 1,917,545</u>	<u>\$ 1,057,390</u>	<u>\$ 2,974,935</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	1,917,545	-	1,917,545
Accumulated earnings	-	525,990	525,990
Total - as above	<u>\$ 1,917,545</u>	<u>\$ 1,057,390</u>	<u>\$ 2,974,935</u>

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 10. 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 \$23,737 and \$22,888 for the years ended December 31, 2022 and 2021, and are included in salaries and related expenses on the statement of functional expenses.

NOTE 11. 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 12. 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,046,528	\$ 1,125,955
Pledges and receivables - due within one year	189,002	417,435
Investments	4,293,494	4,674,439
	<u>5,528,837</u>	<u>6,217,829</u>
Less those unavailable for general expenditures within one year:		
Investments/cash - donor restricted	<u>(1,551,360)</u>	<u>(1,066,324)</u>
Financial assets available to meet cash needs within one year	<u><u>\$ 3,977,477</u></u>	<u><u>\$ 5,151,505</u></u>

NOTES TO FINANCIAL STATEMENTS
RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.
DECEMBER 31, 2022 AND 2021

NOTE 13. CORONAVIRUS RELIEF FUNDING

RMHCA received \$223,042 during the year ended December 31, 2021 under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). RMHCA recognized \$90,121 of revenue from the Employee Retention Tax Credit program during the year ended December 31, 2021. These amounts are included in other income on the statements of activities.