

**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.  
(A NONPROFIT ORGANIZATION)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

Ronald McDonald House Charities of Alabama, Inc.  
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December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of 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.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of 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 17, 2025

**STATEMENTS OF FINANCIAL POSITION**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,471,719	\$ 1,606,518
Pledges receivable, net	214,067	58,223
Investments	5,834,641	5,114,519
Prepaid expenses	32,922	26,692
Contribution receivable, net	2,093,004	2,205,350
Cash surrender value of life insurance	39,281	40,652
Property and equipment, net	<u>11,141,762</u>	<u>10,734,849</u>
<b>Total Assets</b>	<u><u>\$ 20,827,396</u></u>	<u><u>\$ 19,786,803</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 95,006	\$ 49,356
Deferred revenue	58,445	105,728
Accrued vacation	<u>114,914</u>	<u>106,305</u>
<b>Total Liabilities</b>	268,365	261,389
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	15,652,619	14,581,494
Board Designated	1,747,458	1,677,279
With donor restrictions	<u>3,158,954</u>	<u>3,266,641</u>
<b>Total Net Assets</b>	<u><u>20,559,031</u></u>	<u><u>19,525,414</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 20,827,396</u></u>	<u><u>\$ 19,786,803</u></u>

See independent auditors' report.

**STATEMENT OF ACTIVITIES**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Special events	\$ 617,884	\$ -	\$ 617,884
Contributions	3,458,560	327,711	3,786,271
In-kind contributions	90,668	-	90,668
Investment income	413,537	82,631	496,168
Canister donations, net	24,042	-	24,042
Other income	1,615	-	1,615
	4,606,306	410,342	5,016,648
Net assets released from restrictions	518,029	(518,029)	-
Total revenues and other support	5,124,335	(107,687)	5,016,648
<b>Expenses</b>			
Program	2,679,059	-	2,679,059
Management and general	464,511	-	464,511
Fundraising	765,570	-	765,570
Costs of direct benefits to donors	73,891	-	73,891
Total expenses	3,983,031	-	3,983,031
<b>Change in Net Assets</b>	1,141,304	(107,687)	1,033,617
Net assets, beginning of year	16,258,773	3,266,641	19,525,414
Net assets, end of year	\$ 17,400,077	\$ 3,158,954	\$ 20,559,031

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	\$ 516,199	\$ -	\$ 516,199
Contributions	2,839,232	155,025	2,994,257
In-kind contributions	153,113	-	153,113
Investment income	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	\$ 16,258,773	\$ 3,266,641	\$ 19,525,414

See independent auditors' report.

**STATEMENTS OF CASH FLOWS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,033,617	\$ 683,026
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	390,445	385,814
Contributed rent	138,863	136,956
Amortization of discount - contribution receivable	(26,517)	(26,376)
(Decrease) increase in allowance for uncollectible pledges	(8,395)	32,119
Increase in discount of pledges receivable	12,097	-
Net unrealized gains on investments	(264,980)	(507,278)
Decrease (increase) in cash surrender value of life insurance	1,371	(1,669)
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	(159,546)	98,473
Other receivables	-	16,208
Prepaid expenses	(6,230)	7,552
Accounts payable	45,650	19,551
Deferred revenue	(47,283)	28,114
Accrued vacation	8,609	5,921
	<u>1,117,701</u>	<u>878,411</u>
Net cash provided by operating activities	1,117,701	878,411
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(797,358)	(4,674)
Net realized (gains) losses on investments	(63,795)	20,012
Purchase of investments	(430,959)	(444,371)
Proceeds from sale of investments	39,612	110,612
	<u>(1,252,500)</u>	<u>(318,421)</u>
Net cash used in investing activities	(1,252,500)	(318,421)
<b>Net Change in Cash and Cash Equivalents</b>	(134,799)	559,990
Cash and cash equivalents, beginning of year	<u>1,606,518</u>	<u>1,046,528</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,471,719</u></u>	<u><u>\$ 1,606,518</u></u>

See independent auditors' report.



**STATEMENT OF FUNCTIONAL EXPENSES**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<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	\$ 1,201,338	\$ 348,776	\$ 340,269	\$ -	\$ 1,890,383
Depreciation	351,400	31,236	7,809	-	390,445
Direct benefits to donors	-	-	-	73,891	73,891
Professional fees	59,841	17,373	278,675	-	355,889
Repairs and maintenance	102,839	9,141	2,285	-	114,265
Utilities	163,027	14,491	3,623	-	181,141
Marketing	206,038	-	-	-	206,038
Rent	124,977	11,109	2,777	-	138,863
Janitorial services	147,937	13,150	3,287	-	164,374
Supplies	70,769	6,291	1,573	-	78,633
Special events	-	-	61,639	-	61,639
Security expense	80,610	-	-	-	80,610
Insurance	73,519	6,535	1,634	-	81,688
Fundraising expense	-	-	33,427	-	33,427
Miscellaneous	32,905	2,925	731	-	36,561
Bad debt expense	-	-	20,932	-	20,932
House supplies	29,855	-	-	-	29,855
Bank service charges	8,325	740	185	-	9,250
Conferences and meetings	6,482	576	144	-	7,202
Postage and delivery	-	661	5,954	-	6,615
Donor, volunteer and staff recognition	16,952	1,507	377	-	18,836
Dues and subscriptions	2,245	-	249	-	2,494
	<u>\$ 2,679,059</u>	<u>\$ 464,511</u>	<u>\$ 765,570</u>	<u>\$ 73,891</u>	<u>\$ 3,983,031</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	-	165,436
Utilities	137,987	12,266	3,066	-	153,319
Marketing	153,167	-	-	-	153,167
Rent	123,260	10,956	2,739	-	136,955
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	-	6,215
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	-	2,185
	<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.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

**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, 2024 AND 2023**

**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.

**Special Events**

Special event revenue includes donations, registration fees, ticket sales and sponsorships for the various fundraising events held throughout the year. Special event expenses includes all costs incurred for holding the events except for those costs that directly benefited event attendees. Event expenses that directly benefited event attendees is classified separately on the statement of functional expenses.

**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 discount for the present value is computed using a risk free interest rate applicable to the year in which the promise is received. The applicable rate for the year ended December 31, 2024 was 4.39%. 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 \$56,541 and \$64,936 as of December 31, 2024 and 2023, 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, 2024 AND 2023**

**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 and fixtures, equipment, leasehold improvements and computer 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 and 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 \$15,110 and \$27,053 for the years ended December 31, 2024 and 2023, respectively, as contribution revenue and program expense in the accompanying statements of activities. For the years ended December 31, 2024 and 2023, RMHCA received \$75,558 and \$126,060 of in-kind items that were sold at their fundraising auction.

RMHCA facilities are located on land initially donated for a period of 41 years. The rent-free use of the land 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. See Note 6.

RMHCA also utilizes space provided at no charge for a Family Room at the UAB Women's and Infant's Center. See Note 6.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

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

**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 activity 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 and use 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, 2024 and 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 2021.

**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 17, 2025, which is the date the financial statements were available to be issued.

**NOTE 2.      CONCENTRATION OF CREDIT RISK**

Financial instruments that are potentially subject 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 Depositary Insurance Corporation. At December 31, 2024 and 2023, RMHCA had uninsured cash in the amount of \$843,234 and \$911,894, respectively.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 3. PLEDGES RECEIVABLE**

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

	<b>2024</b>	<b>2023</b>
Pledges to be collected:		
Within one year	\$ 162,705	\$ 123,159
Between one year and five years	120,000	-
Less: discount to present value	(12,097)	-
Less: allowance for uncollectible pledges	<u>(56,541)</u>	<u>(64,936)</u>
Pledges receivable, net	<u>\$ 214,067</u>	<u>\$ 58,223</u>

**NOTE 4. 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
- 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.

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 4. FAIR VALUE MEASUREMENTS - Continued**

The fair value measurement level of an asset or liability within the fair value hierarchy is determined by the lowest-level input that has a significant impact on the 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 common stocks, mutual funds and fixed income securities which are valued at the closing price reported on the active market on which the individual securities are traded.

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.

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>2024</b>	
	<b>Level 1</b>	<b>Total</b>
Common stocks and mutual funds	\$ 3,677,076	\$ 3,677,076
Fixed income securities	2,157,565	2,157,565
Investments	<u>\$ 5,834,641</u>	<u>\$ 5,834,641</u>
<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>



**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 4. FAIR VALUE MEASUREMENTS - Continued**

There were no Level 2 or Level 3 measurements as of December 31, 2024 and 2023.

Investment income consists of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Net realized and unrealized gains	\$ 328,775	\$ 487,266
Interest and dividend income	207,005	165,120
Investment management fees	<u>(39,612)</u>	<u>(36,295)</u>
	<u>\$ 496,168</u>	<u>\$ 616,091</u>

Investments are held and managed by Regions Bank.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Building	\$ 15,625,795	\$ 14,871,499
Furniture and fixtures	1,176,410	1,154,239
Equipment	355,798	334,907
Leasehold improvements	98,894	98,894
Computer software	76,362	76,362
Accumulated depreciation	<u>(6,191,497)</u>	<u>(5,801,052)</u>
Property and equipment, net	<u>\$ 11,141,762</u>	<u>\$ 10,734,849</u>

**NOTES TO FINANCIAL STATEMENTS**  
**RONALD MCDONALD HOUSE CHARITIES OF ALABAMA, INC.**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 6. 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>2024</u>	<u>2023</u>
Total rental contribution receivable	\$ 4,479,655	\$ 4,618,518
Less: discount to present value	<u>(2,386,651)</u>	<u>(2,413,168)</u>
Contribution receivable, net	<u><u>\$ 2,093,004</u></u>	<u><u>\$ 2,205,350</u></u>

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2024</u>	<u>2023</u>
<b>Subject to time or purpose restrictions:</b>		
Future periods - rental contribution, net	\$ 2,093,004	\$ 2,205,350
Future periods - meals program	25,935	83,087
DCH Family Room	8,934	8,934
Accumulated earnings on endowment	<u>499,681</u>	<u>437,870</u>
	2,627,554	2,735,241
<b>Not subject to appropriation or expenditure:</b>		
Endowment	<u>531,400</u>	<u>531,400</u>
Total net assets with donor restrictions	<u><u>\$ 3,158,954</u></u>	<u><u>\$ 3,266,641</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS – Continued**

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

	<u><b>2024</b></u>	<u><b>2023</b></u>
Capital expenditures	\$ 267,903	\$ -
Contributed rent	138,863	136,956
Meals program	90,443	45,562
Appropriation - spending policy	<u>20,820</u>	<u>18,245</u>
Net assets released from restrictions	<u><u>\$ 518,029</u></u>	<u><u>\$ 200,763</u></u>

**NOTE 8. NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	<u><b>2024</b></u>	<u><b>2023</b></u>
Net assets without donor restrictions:		
Undesignated	\$ 15,652,619	\$ 14,581,494
Board designated - endowment	<u>1,747,458</u>	<u>1,677,279</u>
Total net assets without donor restrictions	<u><u>\$ 17,400,077</u></u>	<u><u>\$ 16,258,773</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
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**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

**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9. 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, 2024 or 2023.

**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9. ENDOWMENT FUNDS – Continued**

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

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning of year	\$ 1,677,279	\$ 969,270	\$ 2,646,549
Contributions	-	-	-
Investment income	142,990	82,631	225,621
Appropriation - spending policy	(72,811)	(20,820)	(93,631)
End of year balance	<u>\$ 1,747,458</u>	<u>\$ 1,031,081</u>	<u>\$ 2,778,539</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	1,747,458	-	1,747,458
Accumulated earnings	-	499,681	499,681
Total - as above	<u>\$ 1,747,458</u>	<u>\$ 1,031,081</u>	<u>\$ 2,778,539</u>
	<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>

**NOTES TO FINANCIAL STATEMENTS**  
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**DECEMBER 31, 2024 AND 2023**

**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 \$28,292 and \$27,408 for the years ended December 31, 2024 and 2023, and are included in salaries and related expenses on the statement of functional expenses.

**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 it's 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>2024</b></u>	<u><b>2023</b></u>
Financial assets:		
Cash and cash equivalents	\$ 1,471,719	\$ 1,606,518
Pledges receivable	214,067	58,223
Investments	5,834,641	5,114,519
Cash surrender value of life insurance	39,281	40,652
	<u>7,559,708</u>	<u>6,819,912</u>
Less those unavailable for general expenditures within one year:		
Investments/cash - board restricted	(1,747,458)	(1,677,279)
Investments/cash - donor restricted	(1,065,950)	(1,061,291)
Long-term pledges receivable	(51,362)	-
	<u>(2,864,770)</u>	<u>(2,738,570)</u>
Financial assets available to meet cash needs within one year	<u><u>\$ 4,694,938</u></u>	<u><u>\$ 4,081,342</u></u>