



**Ronald McDonald House Charities
of Southern Arizona, Inc.
Financial Statements
For the Years Ended December 31, 2023 and 2022**

Ronald McDonald House Charities
of Southern Arizona, Inc.

Financial Statements
Years Ended December 31, 2023 and 2022

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of Southern Arizona, Inc.**

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Independent Auditor's Report

The Board of Directors
Ronald McDonald House Charities of Southern Arizona, Inc.

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Southern Arizona, Inc. (Organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Southern Arizona, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Southern Arizona, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the Organization'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 the Organization'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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
May 30, 2024

Ronald McDonald House Charities of Southern Arizona, Inc.
Statements of Financial Position
December 31, 2023 and 2022

Assets

Current Assets

	2023	2022
Cash and cash equivalents	\$ 1,837,012	\$ 1,288,705
Contributions receivable	159,381	203,808
Prepaid expenses	12,910	6,460
Total current assets	2,009,303	1,498,973

Noncurrent assets

Investments	8,010,357	6,728,714
Property and equipment, net	3,659,749	3,956,210
In-kind contribution receivable	556,512	572,880
Total noncurrent assets	12,226,618	11,257,804

Total assets	\$ 14,235,921	\$ 12,756,777
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Liabilities

Current liabilities

Accounts payable	\$ 36,142	\$ 49,867
Accrued payroll and other liabilities	52,404	49,142
Total liabilities	88,546	99,009

Net assets

Without donor restrictions:		
Undesignated	10,909,411	10,005,410
Designated by the Board	2,101,119	1,499,266

With donor restrictions:		
Time restricted	556,512	572,880
Purpose restricted	74,083	73,962
Perpetual in nature	506,250	506,250

Total net assets	14,147,375	12,657,768
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Total liabilities and net assets	\$ 14,235,921	\$ 12,756,777
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See accompanying notes to financial statements.

Ronald McDonald House Charities of Southern Arizona, Inc.
Statement of Activities
For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions and bequests	\$ 2,096,069	\$ 42,950	\$ 2,139,019
Contributions in-kind	268,525		268,525
Third-party reimbursements	178,423		178,423
Grant revenue	70,652		70,652
Other income	5,624		5,624
Special events	429,631		429,631
Net assets released from restrictions	124,075	(124,075)	
Total revenues and other support	<u>3,172,999</u>	<u>(81,125)</u>	<u>3,091,874</u>
 Expenses:			
Program services	1,719,705		1,719,705
Management and general	207,853		207,853
Fundraising	518,874		518,874
Cost of direct benefits to donors	182,387		182,387
Total expenses	<u>2,628,819</u>	<u></u>	<u>2,628,819</u>
 Change in net assets from operations	544,180	(81,125)	463,055
 Nonoperating activities:			
Investment return, net	<u>961,674</u>	<u>64,878</u>	<u>1,026,552</u>
 Change in net assets	1,505,854	(16,247)	1,489,607
 Net assets, beginning of year	<u>11,504,676</u>	<u>1,153,092</u>	<u>12,657,768</u>
 Net assets, end of year	<u>\$ 13,010,530</u>	<u>\$ 1,136,845</u>	<u>\$ 14,147,375</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Southern Arizona, Inc.
Statement of Activities
For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions and bequests	\$ 1,503,450	\$ 356,312	\$ 1,859,762
Contributions in-kind	363,768		363,768
Third-party reimbursements	189,486		189,486
Grant revenue	68,368		68,368
Other income	6,825		6,825
Special events	397,046		397,046
Net assets released from restrictions	318,682	(318,682)	
Total revenues and other support	<u>2,847,625</u>	<u>37,630</u>	<u>2,885,255</u>
 Expenses:			
Program services	2,066,027		2,066,027
Management and general	177,937		177,937
Fundraising	500,658		500,658
Cost of direct benefits to donors	140,411		140,411
Total expenses	<u>2,885,033</u>	<u></u>	<u>2,885,033</u>
 Change in net assets from operations	(37,408)	37,630	222
 Nonoperating activities:			
Investment return, net	(1,089,847)		(1,089,847)
 Change in net assets	(1,127,255)	37,630	(1,089,625)
 Net assets, beginning of year	<u>12,631,931</u>	<u>1,115,462</u>	<u>13,747,393</u>
 Net assets, end of year	<u>\$ 11,504,676</u>	<u>\$ 1,153,092</u>	<u>\$ 12,657,768</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Southern Arizona, Inc.
Statement of Functional Expenses
For the year ended December 31, 2023

	Program services				Supporting Services			Total
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Total program services	Management and general	Fundraising	Cost of direct benefits to donors	
Salaries	\$ 467,488	\$ 55,054	\$	\$ 522,542	\$ 135,006	\$ 259,382	\$	\$ 916,930
Employee benefits	88,960	3,230		92,190	19,939	50,562		162,691
Payroll taxes	34,293	4,027		38,320	9,887	19,016		67,223
Advertising	9,310	130		9,440	1,322	36,891		47,653
Cleaning services and supplies	8,301			8,301				8,301
Depreciation	393,322	1,770		395,092	2,652	4,138		401,882
Direct mail						80,789		80,789
Family support services and supplies	289,914	42,002	42,601	374,517	2,933	5,274		382,724
Insurance	26,046	193		26,239	690	1,669		28,598
Linens and laundry	3,204			3,204				3,204
Maintenance and repairs	64,907			64,907	10	16		64,933
Meetings, education, and training	1,846	360		2,206	6,044	4,490		12,740
Office supplies	12,755	44		12,799	2,146	525		15,470
Postage and courier	890	44		934	441	5,181		6,556
Printing and publishing	4,961	293		5,254	1,408	3,516		10,178
Professional fees	26,101	835		26,936	5,189	3,418		35,543
Rent	18,343	72		18,415	108	169	59,163	77,855
Technology	13,338	966		14,304	3,668	18,102		36,074
Telephone	24,391	358		24,749	990	1,843		27,582
Travel, meals, and entertainment	1,585	984		2,569	10,939	3,130	77,909	94,547
Utilities	59,983	270		60,253	405	630		61,288
Other	15,900	634		16,534	4,076	20,133	45,315	86,058
Total expenses	<u>\$ 1,565,838</u>	<u>\$ 111,266</u>	<u>\$ 42,601</u>	<u>\$ 1,719,705</u>	<u>\$ 207,853</u>	<u>\$ 518,874</u>	<u>\$ 182,387</u>	<u>\$ 2,628,819</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Southern Arizona, Inc.
Statement of Functional Expenses
For the year ended December 31, 2022

	Program services				Supporting Services			
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Total program services	Management and general	Fundraising	Cost of direct benefits to donors	Total
Salaries	\$ 455,129	\$ 60,365	\$	\$ 515,494	\$ 123,092	\$ 252,348	\$	\$ 890,934
Employee benefits	99,380	3,917		103,297	21,055	51,473		175,825
Payroll taxes	33,438	4,427		37,865	9,012	18,429		65,306
Advertising	24,189	3,407		27,596	111	32,753	5,154	65,614
Cleaning services and supplies	19,741			19,741				19,741
Depreciation	379,776	1,707		381,483	2,561	3,997		388,041
Direct mail	24			24		85,972		85,996
Donor recognition		500		500		4,388		4,888
Family support services and supplies	672,698	50,473	14,281	737,452		39		737,491
Insurance	24,797	158		24,955	570	1,384		26,909
Linens and laundry	1,287			1,287				1,287
Maintenance and repairs	61,111	26		61,137	38	60		61,235
Meetings, education, and training	1,411	5		1,416	2,204	2,389		6,009
Office supplies	5,756	32		5,788	1,758	725		8,271
Postage and courier	740	32		772	374	4,356		5,502
Printing and publishing	5,657	376		6,033	1,503	5,931		13,467
Professional fees	28,968	1,047		30,015	5,060	3,861		38,936
Rent	16,567	72		16,639	613	169	50,260	67,681
Technology	5,817	381		6,198	1,522	16,590		24,310
Telephone	22,773	473		23,246	1,003	1,671		25,920
Travel, meals, and entertainment	2,123	701		2,824	6,281	409	70,829	80,343
Utilities	52,157	234		52,391	352	549		53,292
Volunteer resources and recognition	2,995	334		3,329				3,329
Other	6,428	117		6,545	828	13,165	14,168	34,706
Total expenses	\$ 1,922,962	\$ 128,784	\$ 14,281	\$ 2,066,027	\$ 177,937	\$ 500,658	\$ 140,411	\$ 2,885,033

See accompanying notes to financial statements.

Ronald McDonald House Charities of Southern Arizona, Inc.
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,489,607	\$ (1,089,625)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	401,882	388,041
Net (gain) loss on investments	(902,851)	1,212,214
Rent - land lease	16,368	16,368
Changes in assets and liabilities:		
Contributions receivable	44,427	(29,691)
Prepaid expenses	(6,450)	5,162
Accounts payable	(13,725)	19,663
Accrued payroll and other liabilities	3,262	(257)
	1,032,520	521,875
Net cash provided by (used for) operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	2,922,066	3,016,994
Purchases of investments	(3,300,860)	(3,669,318)
Purchases of property and equipment	(105,419)	(128,628)
	(484,213)	(780,952)
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents	548,307	(259,077)
Cash and cash equivalents, beginning of year	1,288,705	1,547,782
Cash and cash equivalents, end of year	\$ 1,837,012	\$ 1,288,705

See accompanying notes to financial statements.

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Ronald McDonald House Charities of Southern Arizona, Inc. (the Organization) is a nonprofit corporation operating in Arizona under a license agreement to RMHC Global. The mission of the Organization is to nurture the health and well-being of children and their families. In Southern Arizona, the primary programs are the Ronald McDonald House, which provides a home-away-from-home for families with critically ill children; Ronald McDonald Family Rooms at Banner's Diamond Children's Medical Center and TMC for Children, to give families of pediatric patients a place to rest and regroup; and the Ronald McDonald Care Mobile, which provides dental care for children in underserved communities in Cochise County. The Organization's primary fundraising comes from public contributions. Therefore, the Organization's viability is dependent upon the strength and support provided to the not-for-profit industry and the Organization's ability to generate support.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Organization is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Organization's deposits was \$1,737,044 and the bank balance was \$1,877,634. At year end, \$1,206,947 of the Organization's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

Revenue Recognition

Contributions and Bequests. The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional promises to give at December 31, 2023.

Grants. The Organization conducts several programs that are funded by private donors. These grants are unconditional in nature and recognized as revenue when cash is received. A portion of grants are restricted for a specific purpose and are reclassified to without donor restrictions when expenses have been incurred in compliance with the grant provisions.

Special Events. The Organization has various special events throughout the year. The special events raise donations that are unconditional promises to give and revenue is generated from ticket fees. The revenue is recognized when the performance obligation of the point in time that the event occurs.

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Third Party Reimbursements. The Organization is eligible to request third party reimbursements for various individuals staying at the Ronald McDonald House. The Organization seeks reimbursement from the appropriate entities once the requirements for reimbursement are met. Third party reimbursement revenue is recorded when the notification of reimbursement approval is received.

Contributions Receivable

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

In-Kind Contribution Receivable

The Organization leases land upon which the current facility has been built for the annual rent of one dollar. A donor restricted contribution was recorded at the inception of the 50-year lease to reflect the use restriction of the land for the operation of the Ronald McDonald House. The fair market value of the land at inception was approximately \$818,400. The term of the lease is through the year 2056, and \$16,368 is released annually to net assets without donor restrictions.

Property and Equipment

All acquisitions of property and equipment with a cost in excess of \$1,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to 40 years. Depreciation expense for the years ended December 31, 2023 and 2022 are \$401,882 and \$388,041, respectively.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees.

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in the operation of its programs. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services valued at approximately \$64,652 have not been recognized in the Statement of Activities as they do not meet the requirements for recognition.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Professional services	Full time equivalent
Occupancy	Square footage
Depreciation	Square footage
Repairs and maintenance	Square footage

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2023 and 2022, advertising costs totaled \$47,653 and \$60,460, respectively.

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Organization's Form 990, *Return of Organization Exempt from Income*, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 30, 2024, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

The following represents the Organization's financial assets at fiscal year end:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,837,012	\$ 1,288,705
Contributions receivable	159,381	203,808
Investments	8,010,357	6,728,714
Total financial assets	<u>10,006,750</u>	<u>8,221,227</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions, excluding land lease	<u>580,333</u>	<u>580,212</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,426,417</u>	<u>\$ 7,641,015</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds, and maintain a significant cash-on-hand balance. As part of its liquidity plan, excess cash is invested in short-term investments. In addition, the Board has designated a reserve fund to maintain one year of operating expenses. Net assets designated by the Board for this purpose at year end was \$2,101,119.

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Investments and Fair Value Measurements

Fair value is defined as the price that the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Organization’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

	Hierarchy Level	Fair Value	
		2023	2022
Investments			
Fixed income investments	Level 1	\$ 3,859,393	\$ 3,117,456
Equities	Level 1	3,713,767	3,169,200
Other	Level 1	145,172	140,462
Investments measured at net asset value			
Campbell Fund Trust	N/A	292,025	301,596
Total assets		<u>\$ 8,010,357</u>	<u>\$ 6,728,714</u>

Ronald McDonald House Charities of Southern Arizona, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Investments and Fair Value Measurements

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments – Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Campbell Fund Trust – The investment in the Campbell Fund Trust is valued on a monthly basis using the net asset value per share as a practical expedient and is not classified in the fair value hierarchy. The investment strategy of the Fund is to seek capital appreciation over the medium to long term through investments in future related interests, derivative instruments, and debt instruments. Redemption of investments in the Fund can only occur at the end of a month. There were no unfunded commitments as of fiscal year end.

Note 4 – Property and Equipment

Property and equipment consist of the following.

	2023	2022
Buildings and improvements	\$ 5,958,990	\$ 5,905,448
Vehicles, furniture, and equipment	868,387	831,680
Total property and equipment	6,827,377	6,737,128
Less: Accumulated depreciation	(3,167,628)	(2,780,918)
Net property and equipment	\$ 3,659,749	\$ 3,956,210

Note 5 – Endowments

The Organization’s endowment consists of a donor restricted fund on which earnings are intended for general operating expenses. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State of Arizona’s version of 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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Note 5 – Endowments

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

The donor-restricted endowment’s value at the end of the year for December 31, 2023 and 2022 was \$506,250.

Investment Return Objectives, Risk Parameters and Strategies

The Organization’s endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Endowment assets consist entirely of donor restricted funds that the Organization must hold in perpetuity. To satisfy its long-term rate-of-return objectives, the Organization relies on a strategy in which investments in equity and debt securities are diversified to protect against volatility in the market and achieve long-term growth.

Spending Policy

Earnings on the Organization’s donor-restricted endowment are unrestricted and available for general operating expenses. As a result, investment income is appropriated for expenditure in the year earned, and therefore is included in net assets without donor restrictions.

Changes in Endowment Net Assets as of year end:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 506,250	\$ 506,250
Investment return, net	64,878	
Amounts appropriated for expenditure	(64,878)	
Endowment net assets, end of year	<u>\$ 506,250</u>	<u>\$ 506,250</u>

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Note 6 – Net Assets

Net assets without donor restrictions are as follows:

	2023	2022
Designated for operating expense	\$ 2,101,119	\$ 1,499,266
Undesignated	10,909,411	10,005,410
Total unrestricted net assets	\$ 13,010,530	\$ 11,504,676

Net assets with donor restrictions were as follows:

	2023			
	Beginning Balance	Contributions	Releases	Ending Balance
Passage of Time:				
UMC land lease	\$ 572,880	\$	\$ 16,368	\$ 556,512
Specific Purpose:				
Family fund		10,950	450	10,500
Family support services		14,000	14,000	
Other	5,077	4,000	3,471	5,606
State registrations	3,000		3,000	
Wellness grant	2,000	4,000	2,000	4,000
Family Room - Banner		10,000	10,000	
Family room - TMC	63,885		9,908	53,977
Endowments:				
Perpetual in nature	506,250	64,878	64,878	506,250
Total	\$ 1,153,092	\$ 107,828	\$ 124,075	\$ 1,136,845

	2022			
	Beginning Balance	Contributions	Releases	Ending Balance
Passage of Time:				
UMC land lease	\$ 589,248	\$	\$ 16,368	\$ 572,880
Specific Purpose:				
Family fund	307	3,387	3,694	
Family room refresh	1,266		1,266	
Meals from heart		925	925	
Center for adventure playroom	11,950		11,950	
Other	6,441	9,000	10,364	5,077
State registrations		3,000		3,000
Wellness grant		2,000		2,000
MCH care mobile		128,000	128,000	
Family room – TMC		210,000	146,115	63,885
Endowments:				
Perpetual in nature	506,250			506,250
Total	\$ 1,115,462	\$ 356,312	\$ 318,682	\$ 1,153,092

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Note 7 – Donated Services and Assets

The Organization receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in the amount approximating the estimated fair value at the time of the donation.

During the fiscal year, the Organization received various donated services such as IT services, building repairs and maintenance, and other specialized services. The Organization also received contributions of food, toys, and supplies for use in its programs.

2023			
Program Service	Donated Goods	Donated Services	Total
Ronald McDonald House	\$ 255,373	\$ 13,152	\$ 268,525

2022			
Program Service	Donated Goods	Donated Services	Total
Ronald McDonald House	\$ 317,698	\$ 46,070	\$ 363,768

All donated services and assets were utilized by the Organization’s programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Donated services are valued at the standard hourly rates charged for those services. Donated goods are valued using current prices located on publicly available websites for similar or matching items.

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Note 8 – Concentrations

For the year ended December 31, 2023, one donor made up 23 percent of contribution revenues.

As of December 31, 2023, contributions receivable was comprised of:

<u>Funding Source</u>	<u>Amount</u>	<u>Percentage of Contributions Receivables</u>
Ronald McDonald House National	\$ 59,593	37%
Tohono O’Odham Nation	25,000	16%
AHCCCS	21,495	13%
Alpha Delta Pi	25,577	16%

Note 9 – Employee Benefit Plans

The Organization contributes to a simplified employee pension plan for its employees who are the age of 21, have worked for the Organization for at least one year, and work 30 hours or more per week earning at least \$5,000 in compensation for the current year. The Organization provides a matching contribution, up to four percent of the participating employee’s salary reduction contribution, not to exceed the annual maximum amount set by the Internal Revenue Service. Contributions to the plan for the years ended December 31, 2023 and 2022 were \$28,938 and \$23,067, respectively.