

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

**Audited Financial Statements**

**For the Years Ended December 31, 2022 and 2021**

**and Independent Auditors' Report**

# **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

## **Table of Contents**

For the Years Ended December 31, 2022 and 2021

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Ronald McDonald House Charities of Temple, Texas

### Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Temple, Texas (a nonprofit organization), 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 Temple, Texas as of 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 audit 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 the organization 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.

### Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Temple, Texas'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

*Widuch, Montgomery & Styr. P.C.*

Temple, Texas  
November 5, 2023



**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

## Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 550,102	\$ 562,734
Contributions receivable	18,486	6,656
Donated goods inventory	143,501	48,510
Prepaid expenses	10,297	19,161
Total Current Assets	<u>722,386</u>	<u>637,061</u>
Property and Equipment - Note 8		
Buildings and improvements	1,661,616	1,659,416
Furniture and equipment	623,578	583,771
Land and improvements	131,980	131,980
Memorial garden	12,855	12,855
Vehicles	31,295	31,295
Accumulated depreciation	<u>(1,875,901)</u>	<u>(1,807,044)</u>
Total Property and Equipment	<u>585,423</u>	<u>612,273</u>
Other Assets		
Investments - Note 6	<u>3,285,090</u>	<u>3,746,730</u>
Total Other Assets	<u>3,285,090</u>	<u>3,746,730</u>
Total Assets	<u><u>\$ 4,592,899</u></u>	<u><u>\$ 4,996,064</u></u>
<b>Liabilities &amp; Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 16,800	\$ 17,545
Accrued expenses	<u>4,946</u>	<u>3,741</u>
Total Current Liabilities	<u>21,746</u>	<u>21,286</u>
Net Assets		
Without donor restrictions	3,970,754	4,415,679
With donor restrictions - Note 2	<u>600,399</u>	<u>559,099</u>
Total Net Assets	<u>4,571,153</u>	<u>4,974,778</u>
Total Liabilities & Net Assets	<u><u>\$ 4,592,899</u></u>	<u><u>\$ 4,996,064</u></u>

The accompanying notes are an integral part of these financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

## Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Other Income</b>			
Golf tournament - Note 13	\$ 128,481	\$ 9,100	\$ 137,581
Miscellaneous fundraising - Note 13	78,062	-	78,062
Bingo operations	336,634	-	336,634
Guest donations	7,985	-	7,985
Medicaid reimbursements	2,865	-	2,865
Grants	121,633	38,000	159,633
Contributions of cash and other financial assets	137,078	-	137,078
Contribution of nonfinancial assets	224,002	-	224,002
Family room	-	1,940	1,940
Other income	5,798	-	5,798
Interest income	2,027	-	2,027
Support and Other Income Subtotal	1,044,565	49,040	1,093,605
<b>Investment Return, Net</b>			
Capital gains	15,784	-	15,784
Endowment dividends	85,519	-	85,519
Interest income	27	-	27
Investment expense	(17,365)	-	(17,365)
Realized gain (loss) on investments	(38,546)	-	(38,546)
Unrealized gain (loss) on investments	(507,059)	-	(507,059)
Investment return, net	(461,640)	-	(461,640)
Net assets released from donor restrictions	7,740	(7,740)	-
Total Support and Other Income	590,665	41,300	631,965
<b>Expenses</b>			
Program services	541,905	-	541,905
Cost of direct benefits to donors	62,973	-	62,973
Support services:			
Management and general	75,205	-	75,205
Fundraising expense	355,507	-	355,507
Total Expenses	1,035,590	-	1,035,590
Change in Net Assets	(444,925)	41,300	(403,625)
Net Assets at the Beginning of Year	4,415,679	559,099	4,974,778
Net Assets at the End of Year	\$ 3,970,754	\$ 600,399	\$ 4,571,153

2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ 140,176	\$ -	\$ 140,176
76,901	-	76,901
-	-	-
9,047	-	9,047
3,465	-	3,465
138,583	25,000	163,583
136,799	-	136,799
88,711	-	88,711
2,269	1,327	3,596
58,561	-	58,561
367	-	367
654,879	26,327	681,206
124,120	-	124,120
65,556	-	65,556
9	-	9
(18,372)	-	(18,372)
-	-	-
319,963	-	319,963
491,276	-	491,276
21,512	(21,512)	-
1,167,667	4,815	1,172,482
463,810	-	463,810
62,146	-	62,146
70,336	-	70,336
31,605	-	31,605
627,897	-	627,897
539,770	4,815	544,585
3,875,909	554,284	4,430,193
<u>\$ 4,415,679</u>	<u>\$ 559,099</u>	<u>\$ 4,974,778</u>

The accompanying notes are an integral part of these financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS

## Statements of Functional Expenses

For the Years Ended December 31, 2022 and 2021

	2022						
	Program Services					Cost of	
	Ronald McDonald House	Ronald McDonald Family Room	Total Program Services	Management & General	Fundraising	Direct Benefits to Donors	Total
Auto expense	\$ 4,657	\$ -	\$ 4,657	\$ -	\$ -	\$ -	\$ 4,657
Bad debt expense	-	-	-	180	-	-	180
Bank charges	-	-	-	5,529	-	-	5,529
Bingo operations	-	-	-	-	320,311	-	320,311
Conference fees	2,017	-	2,017	-	-	-	2,017
Depreciation	64,450	-	64,450	4,407	-	-	68,857
Donated foods and services	64,558	-	64,558	-	-	-	64,558
Donated service expense	720	-	720	-	-	-	720
Dues	-	-	-	3,883	-	-	3,883
Employee benefits	50,381	-	50,381	769	656	-	51,806
Golf tournament	-	-	-	-	7,674	45,734	53,408
House rejuvenation project	1,301	-	1,301	89	-	-	1,390
House repairs and maint.	24,950	-	24,950	1,706	-	-	26,656
In-kind rent	-	18,600	18,600	-	-	-	18,600
Insurance	30,705	-	30,705	2,099	-	-	32,804
Legal and accounting	-	-	-	13,010	-	-	13,010
Miscellaneous	117	-	117	250	-	-	367
Miscellaneous fundraising	-	-	-	-	5,060	17,239	22,299
Office supplies	-	-	-	13,633	-	-	13,633
Payroll taxes	15,499	-	15,499	1,763	1,499	-	18,761
Postage and shipping	229	-	229	-	-	-	229
Promotion	5,024	-	5,024	-	-	-	5,024
Rental	-	-	-	-	-	-	-
Ronald McDonald Family Room	-	4,837	4,837	-	-	-	4,837
Supplies	10,507	-	10,507	-	-	-	10,507
Telephone	-	-	-	1,585	-	-	1,585
Utilities	36,292	-	36,292	2,485	-	-	38,777
Volunteer resources	2,627	-	2,627	-	-	-	2,627
Wages	204,434	-	204,434	23,817	20,307	-	248,558
Totals	<u>\$ 518,468</u>	<u>\$ 23,437</u>	<u>\$ 541,905</u>	<u>\$ 75,205</u>	<u>\$ 355,507</u>	<u>\$ 62,973</u>	<u>\$ 1,035,590</u>



2021

Program Services						
Ronald McDonald House	Ronald McDonald Family Room	Total Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	Total
\$ 1,901	\$ -	\$ 1,901	\$ -	\$ -	\$ -	\$ 1,901
-	-	-	-	-	-	-
-	-	-	4,322	-	-	4,322
-	-	-	-	-	-	-
-	-	-	-	-	-	-
64,106	-	64,106	4,383	-	-	68,489
46,959	-	46,959	-	-	-	46,959
720	-	720	-	-	-	720
-	-	-	3,044	-	-	3,044
43,405	-	43,405	662	565	-	44,632
-	-	-	-	8,173	48,707	56,880
-	-	-	-	-	-	-
23,772	-	23,772	1,625	-	-	25,397
-	18,600	18,600	-	-	-	18,600
21,297	-	21,297	1,456	-	-	22,753
-	-	-	14,263	-	-	14,263
142	-	142	-	-	-	142
-	-	-	-	3,945	13,439	17,384
-	-	-	15,106	-	-	15,106
13,444	-	13,444	1,529	1,301	-	16,274
425	-	425	-	-	-	425
6,133	-	6,133	-	-	-	6,133
3,341	-	3,341	-	-	-	3,341
-	4,475	4,475	-	-	-	4,475
10,822	-	10,822	-	-	-	10,822
-	-	-	1,440	-	-	1,440
26,872	-	26,872	1,839	-	-	28,711
-	-	-	-	-	-	-
177,396	-	177,396	20,667	17,621	-	215,684
<u>\$ 440,735</u>	<u>\$ 23,075</u>	<u>\$ 463,810</u>	<u>\$ 70,336</u>	<u>\$ 31,605</u>	<u>\$ 62,146</u>	<u>\$ 627,897</u>

The accompanying notes are an integral part of these financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

## Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (403,625)	\$ 544,585
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	68,857	68,489
Realized (gain) loss on sale of investment	38,546	-
Unrealized (gain) loss on investments	507,059	(319,963)
Donated goods inventory	(94,991)	2,553
(Increase) decrease in:		
Contributions receivable	(11,830)	(4,021)
Prepaid expenses	8,864	1,439
Increase (decrease) in:		
Accounts payable	(745)	2,200
Accrued expenses	1,205	726
Deferred revenue	-	(4,810)
Net cash provided (used) by operating activities	<u>113,340</u>	<u>291,198</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(42,007)	(40,505)
Purchase of investments and reinvestment of income	<u>(83,965)</u>	<u>(171,170)</u>
Net cash provided (used) by investing activities	<u>(125,972)</u>	<u>(211,675)</u>
Net increase (decrease) in cash and cash equivalents	(12,632)	79,523
Cash and cash equivalents - beginning of year	<u>562,734</u>	<u>483,211</u>
Cash and cash equivalents - end of year	<u><u>\$ 550,102</u></u>	<u><u>\$ 562,734</u></u>
<b>Supplemental Disclosures</b>		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

## **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Nature of Activities

Ronald McDonald House Charities of Temple, Texas (the Organization) (the House) is an incorporated nonprofit charitable corporation formed in October 11, 1984 in the State of Texas formally known as The Caring House. The name of the Organization was changed to Ronald McDonald House Charities of Temple, Texas on May 20, 1997. The mission of Ronald McDonald House Charities of Temple, Texas is to create, find and support programs that directly improve the health and well-being of children. Collectively, the House and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, and we value our heritage and operate with accountability and transparency.

The mission of Ronald McDonald House Charities of Temple, Texas is fulfilled through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs are operated by Ronald McDonald House Charities of Temple, Texas, represent the core functions of the Organization.

#### Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House Program(s) located in Temple, Texas which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

#### Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program(s) in McLane Children's Hospital Baylor Scott & White serve as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation

Financial statement presentation follows FASB ASC 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.



## RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments, if any, in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Realized and unrealized gain and losses and income are included in the change of net assets in the accompanying statements of activities.

Realized and unrealized gains and losses from securities in the master investments accounts are allocated monthly to the individual endowments based on the relationship of fair value of each endowment to the total fair value of the master investment account, as adjusted for additions to or deductions from these accounts.

#### Program Revenue

Guest revenue is generally recorded as revenue when received. The guests are not required to pay for services. Therefore, no receivable is recorded.

#### Contributions of Nonfinancial Assets

Contributions of nonfinancial assets consists of hand bags, clothing, and furniture which have been donated to the Organization. Contributions of nonfinancial assets is recorded at estimated fair market value. The Organization estimates the fair value of clothing and furniture inventory items by using historic prices of similar items.

#### Fixed Assets

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is recorded using the double-declining balance and straight-line methods over the estimated useful lives of the assets. Acquisitions of fixed assets in excess of \$1,000 are capitalized.

#### Revenue Recognition

The Organization adopted Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)” as of January 1, 2019 which related to revenue recognition. In general, for revenue not associated with financial instruments, guarantees and lease contracts, management applies the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligation, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

Adoption of ASU 2014-09 resulted in no changes of presentation of financial statements. Because contracts are generally completed within one year, the Organization used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ending December 31, 2022.

#### Third-Party Reimbursements

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to



## **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Third-Party Reimbursements (continued)

coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

#### Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, Leases ("Topic 842"). The new standard increases transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases. The standard did not have a material impact on the Organization's current year's statement of financial position, statement of cash flows, or statement of activities. The Organization has elected to utilize the risk-free rate as the discount rate for finance and operating leases.

The Organization also elected the package of practical expedients, which permits the Organization to not reassess (a) whether any expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases and (c) any initial direct costs for any existing leases as of the effective date. The Organization did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing impairment.

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2020-07, "Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets". The standard was effective for year-ends beginning after June 15, 2021. We adopted the requirements of the new standard effective January 1, 2022 and applied the standard retrospectively to the year presented. Adoption of the new standard had no material impact on the financial statement for the year ended December 31, 2022.

#### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, Ronald McDonald House Charities of Temple, Texas has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. A required information return is filed annually. The federal income tax returns for the Organization for 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they are filed.

#### Contribution of Cash and Other Financial Assets and Nonfinancial Assets

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Contributions of cash and other financial assets are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the absence or existence and nature of any donor restrictions at their fair values in the period received.



## RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Contribution of Cash and Other Financial Assets and Nonfinancial Assets (continued)

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their estimated fair values in the period received. While many individuals volunteer their time and perform a variety of tasks that assist the Organization, their services do not meet the criteria for recognition and are, therefore, not reflected in the financial statements. The Organization receives more than 1,800 volunteer hours per year.

Grants and other contributions of cash and other financial assets are reported as support with donor restrictions 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 statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions.

#### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses and in the statement of activities.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense assessment. Accordingly, certain costs have been allocated between the program and supporting services benefited. Expenses are allocated to *Program Services, Management and General, Fundraising, and Direct Cost to Donors* on the basis of estimates of time and effort.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Credit Risk

The House maintains cash accounts with one financial institution, which is insured by the Federal Deposit Insurance Company (FDIC) as of December 31, 2022 and 2021. The House has \$276,617 and \$309,348 excess of FDIC coverage for the years ended December 31, 2022 and 2021, respectively. The House has money markets as well as mutual funds with one brokerage entity. The funds held in this brokerage entity are insured by the Securities Investor Protection Corporation (SIPC). The Organization has \$2,785,090 and \$3,246,730 in excess of SIPC insurance coverage for the years ended December 31, 2022 and 2021, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2022 and 2021 represent the following:

	<u>2022</u>	<u>2021</u>
Carpenter Meal Grant	\$ 29,975	\$ 32,877
Family Room	(431)	2,466
Grants in Excellence 2017	5,006	5,006
Global	3,000	-
Playground Project	44,099	-
Permanently Restricted	<u>518,750</u>	<u>518,750</u>
	<u>\$ 600,399</u>	<u>\$ 559,099</u>

The above cash and investment balances are restricted to use for their specified purposes.

**NOTE 3 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

The House's board of directors has designated funds which are reflected in net assets without donor restrictions. Net assets without donor restrictions for the year ended December 31, 2022 and 2021 are:

	<u>2022</u>	<u>2021</u>
Undesignated	<u>\$ 3,970,754</u>	<u>\$ 4,415,679</u>
	<u>\$ 3,970,754</u>	<u>\$ 4,415,679</u>

**NOTE 4 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished		
Carpenter Tech Grant	\$ 2,903	\$ 17,123
Ronald McDonald Family Room	<u>4,837</u>	<u>4,389</u>
Total restrictions released	<u>\$ 7,740</u>	<u>\$ 21,512</u>



**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 5 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the statement of financial position dates, reduced by the amounts not available for general use because of contractual or donor-impose restrictions within one year of the balance sheet date.

	2022	2021
Financial Assets at year-end	\$ 3,837,355	\$ 4,324,756
Less those unavailable for general expenditures within one year, due to:		
Donor (Grant)-imposed restrictions:		
Carpenter Meal Grant	29,975	32,877
Family Room	(431)	2,466
Grants in Excellence 2017	5,006	5,006
Global	3,000	-
Playground Project	44,099	-
Joan Kroc Endowment	518,750	518,750
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,236,956</u>	<u>\$ 3,765,657</u>

The Organization is supported by fundraisers and donor contributions as well as restricted contributions from donors. Donor restrictions require resources to be used in a particular manner, therefore the Organization must maintain sufficient resources to meet those responsibilities to its donors. Availability of financial assets may be affected by its nature, external limits imposed on by donors, grantors, laws, and contracts with others as well as internal limits imposed on by governing board decisions. For this reason, financial assets may not be available for general expenditure within one year.

In 2006 the board chose to restrict canister collection funds on how they could be used. The funds were to be used in giving grants to other local nonprofits that help benefitting children. At the time Ronald McDonald House Charities Global (RMHC Global) would match any grants awarded by the chapter. The match guaranteed by RMHC Global ended in 2014, and the grants given by Ronald McDonald House of Temple, Texas have been scarce. Therefore, in 2018 the board decided to release all restricted funds as there was not ample activity giving grants.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Cash is held in depository accounts and a money market account. Investments are held in a brokerage account.

**NOTE 6 – INVESTMENTS**

The House follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of donor restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor restricted endowment fund is spendable under UMIFA. The House's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor restricted endowment funds.



**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 6 – INVESTMENTS (CONTINUED)**

The Board of Trustees on the advice of legal counsel, has determined that the majority of the House's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the House. Under the terms of the House's governing documents, the Board of Trustees has the ability to distribute so much of the original principal if any trust of separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

The House has adopted investment and spending policies, approved by the Board of Trustees, 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 these endowment assets over the long term. The House's spending policy and investment policy work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6%, net of investment fees. Actual return in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the House relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The House targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk factors.

The spending policy calculates the amount of money annually distributed from the House's various endowment funds, for grant making and administration. The current spending policy is to distribute an amount of at least equal to 5% of a moving four-year average of the fair value of the endowment funds. Accordingly, over the long-term, the House expects its current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the House's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
December 31, 2022	\$ 2,766,340	\$ 518,750	\$ 3,285,090
December 31, 2021	\$ 3,227,980	\$ 518,750	\$ 3,746,730

The investment manager has limited power of attorney to make investment decisions and to buy, sell, or otherwise effect transactions in accordance with the investment policy of the board. It is the intent of the Organization to maintain 40-60% of the total endowment in McDonald's stock and the managed accounts and the remaining 60-40% is to be invested in cash, treasuries, investment grade bonds, or an equivalent investment with regards to risk.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 6 – INVESTMENTS (CONTINUED)**

Changes in endowment net assets as of December 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, December 31, 2020	\$ 2,736,847	\$ 518,750	\$ 3,255,597
Investment Income	171,170	-	171,170
Net appreciation (depreciation)	319,963	-	319,963
Endowment net assets, December 31, 2021	3,227,980	518,750	3,746,730
Investment Income	45,419	-	45,419
Net appreciation (depreciation)	(507,059)	-	(507,059)
Endowment net assets, December 31, 2022	<u>\$ 2,766,340</u>	<u>\$ 518,750</u>	<u>\$ 3,285,090</u>

**NOTE 7 – FAIR VALUE MEASUREMENTS**

The House's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future values. Furthermore, although the House 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 different fair value measurements at the reporting date.

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the greatest priority to unadjusted quoted prices markets for identical assets or liabilities (Level 1 measurements). Three levels of the fair value hierarchy are described below:

- Level 1- valuations based on quoted prices in an active market for identical assets or liabilities.
- Level 2- valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3- valuations based on inputs that are not observable and significant to the overall fair value measurement.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The following schedule presents the House's investments (all Level 1 investments) at fair value as of December 31, 2022 and 2021:

2022					
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>					
Cash and Cash					
Equivalents	\$ 59,875	\$ -	\$ -	\$ -	\$ 59,875
Total Cash	59,875	-	-	-	59,875
Recurring:					
Investments:					
Mutual Funds:					
Domestic Equity	991,860	-	-	-	991,860
Exchange Traded Funds					
Equity Securities:					
Domestic Equity	1,474,257	-	-	-	1,474,257
U.S. Corporate Equity					
Securities	759,098	-	-	-	759,098
Foreign Equity Securities	-	-	-	-	-
Total Recurring	3,225,215	-	-	-	3,225,215
Total Assets	<u>\$ 3,285,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,285,090</u>



**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)**

		2021				
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>						
	Cash and Cash					
	Equivalents	\$ 216,247	\$ -	\$ -	\$ -	\$ 216,247
	Total Cash	216,247	-	-	-	216,247
Recurring:						
Investments:						
Mutual Funds:						
	Domestic Equity	1,711,935	-	-	-	1,711,935
	International Equity	245,772	-	-	-	245,772
Exchange Traded Funds						
Equity Securities:						
	Domestic Equity	817,965	-	-	-	817,965
	U.S. Corporate Equity					
	Securities	754,811	-	-	-	754,811
	Total Recurring	3,530,483	-	-	-	3,530,483
	Total Assets	\$ 3,746,730	\$ -	\$ -	\$ -	\$ 3,746,730

**NOTE 8 – PROPERTY AND EQUIPMENT**

Prior to 2008, it was the Organization's policy to capitalize property and equipment over \$250. In 2008, the policy was updated to only capitalize property and equipment over \$1,000, and lesser amounts are expensed. All purchased property and equipment is recorded at cost basis. At times certain fixed assets have been donated to the Organization. These items are recorded at their estimated fair market value at the time the donation is received. A provision for depreciation is made on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2022 and 2021 were \$68,857 and \$68,489, respectively.



**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

**NOTE 8 – PROPERTY AND EQUIPMENT (CONTINUED)**

Property and equipment together with estimated useful lives consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	\$ 1,661,616	\$ 1,659,416	39 years
Furniture and equipment	623,578	583,771	7 years
Vehicles	31,295	31,295	5 years
Land and improvements	131,980	131,980	0 - 7 years
Memorial Garden	12,855	12,855	15 years
	<u>2,461,324</u>	<u>2,419,317</u>	
Less accumulated depreciation	<u>(1,875,901)</u>	<u>(1,807,044)</u>	
Net property and equipment	<u>\$ 585,423</u>	<u>\$ 612,273</u>	

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 assets 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 restricted support. 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 services by the instructed donor.

**NOTE 9 – CONTRIBUTIONS OF NONFINANCIAL ASSETS - DONATED SERVICES**

As of December 31, 2022 and 2021, donated services which met the requirements for recognition in the financial statements were \$720 and \$720. The donated services recognized in the financial statements consist of volunteer hours for peer counseling and other professional services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. There are some donated services that do not meet the requirements for reporting under FASB ASC 958-605. Therefore, they are not recorded in the financial statements.

**NOTE 10 – EMPLOYEE BENEFIT PLAN**

In 2001, Ronald McDonald House Charities adopted a 403(b)(7) retirement plan where all full time employees were given the option to participate, with the exception of one employee who negotiated a benefit plan for additional compensation. The plan provides for a 3% matching of contributions up to the lesser of \$1,650 or 15% of base pay after a 1-year waiting period. Plan expenses incurred during the years ended December 31, 2022 and 2021 were \$6,110 and \$5,381, respectively.

**NOTE 11 – HEALTH CARE COVERAGE**

July 1, 2021, Ronald McDonald House Charities of Temple, TX joined a Co-Op of other Texas Ronald McDonald House insurance that was under contract with Aetna for medical.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

**NOTE 11 – HEALTH CARE COVERAGE (CONTINUED)**

For the years ending December 31, 2022 and 2021, the total premium paid for insurance coverage was \$44,142 and \$35,412, respectively, for eligible employees who are currently participating in coverage.

**NOTE 12 – COMPENSATED ABSENCES**

Employees of the House are entitled to paid vacation and paid personal days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The House's policy is to recognize the costs of compensated absences when actually paid to employees.

**NOTE 13 – FUNDRAISING ACTIVITIES**

Gross income and expenses from fundraising activities for 2022 and 2021 are as follows:

	Gross Revenue	Gross Expenses	Net Support
2022			
Bingo operations	\$ 336,634	\$ 320,311	\$ 16,323
Golf tournament	137,581	53,408	84,173
Miscellaneous fundraising	78,062	22,299	55,763
2022 Totals	<u>\$ 552,277</u>	<u>\$ 396,018</u>	<u>\$ 156,259</u>
2021			
Bingo operations	\$ -	\$ -	\$ -
Golf tournament	140,176	56,880	83,296
Miscellaneous fundraising	112,555	17,384	95,171
2021 Totals	<u>\$ 252,731</u>	<u>\$ 74,264</u>	<u>\$ 178,467</u>

**NOTE 14 – PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS**

The Company received a loan from Extraco Bank in the amount of \$48,856 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was subject to a note dated February 11, 2021. The Company applied for and has been notified that the note is forgiven. As of December 31, 2021, loan forgiveness is reflected in other income in the accompanying income statement. There was no Paycheck Protection Program activity for the year ended December 31, 2022.



## **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

### **NOTE 15 – TRANSACTIONS WITH RELATED PARTIES**

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives a percentage of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2022 and 2021, the Organization received \$116,433 and \$138,583, respectively, from these revenue streams.

### **NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 5, 2023, the date which the financial statements were available to be issued. No subsequent items require disclosure to the financial statements.