

RONALD MCDONALD HOUSE CHARITIES, INC.
Chicago, Illinois

FINANCIAL STATEMENTS
December 31, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ronald McDonald House Charities, Inc.
Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities, Inc. (RMHC) 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 RMHC as of December 31, 2022 and 2021, and the results of its net assets and 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 (GAAS). 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 RMHC 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 RMHC's ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 RMHC'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 RMHC'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.



CliftonLarsonAllen LLP

Oak Brook, Illinois
May 4, 2023

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

ASSETS	2022	2021
	<i>(In Thousands)</i>	
CURRENT ASSETS		
Cash And Cash Equivalents	\$ 22,596	\$ 20,570
Contributions Receivable, Net	11,626	10,417
Short-Term Investments	5,726	6,523
Other Current Assets	4,311	2,419
Total Current Assets	44,259	39,929
NONCURRENT ASSETS		
Contributions Receivable, Net	1,355	3,380
Investments	166,561	185,551
Other Noncurrent Assets	163	544
	168,079	189,475
TOTAL ASSETS	\$ 212,338	\$ 229,404
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable And Other Liabilities	\$ 4,635	\$ 4,768
Grants Payable, Net	6,251	6,702
Total Current Liabilities	10,886	11,470
NET ASSETS		
Without Donor Restrictions	197,049	212,307
With Donor Restrictions	4,403	5,627
Total Net Assets	201,452	217,934
TOTAL LIABILITIES AND NET ASSETS	\$ 212,338	\$ 229,404

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

RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	<i>(In Thousands)</i>					
REVENUES						
Contributions	\$ 71,897	\$ 1,117	\$ 73,014	\$ 75,267	\$ 704	\$ 75,971
In-Kind Contributions	18,342	-	18,342	4,678	-	4,678
Special Events Revenue	2,017	-	2,017	972	-	972
Program Service And Other Revenue	216	-	216	13	-	13
Net Assets Released From Restrictions	2,341	(2,341)	-	1,995	(1,995)	-
Total Revenues	<u>94,813</u>	<u>(1,224)</u>	<u>93,589</u>	<u>82,925</u>	<u>(1,291)</u>	<u>81,634</u>
EXPENSES						
Program Services	66,246	-	66,246	58,363	-	58,363
Management And General Administration	10,899	-	10,899	5,888	-	5,888
Fundraising	8,126	-	8,126	9,959	-	9,959
Total Expenses	<u>85,271</u>	<u>-</u>	<u>85,271</u>	<u>74,210</u>	<u>-</u>	<u>74,210</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>9,542</u>	<u>(1,224)</u>	<u>8,318</u>	<u>8,715</u>	<u>(1,291)</u>	<u>7,424</u>
INVESTMENT INCOME (LOSS), NET	<u>(24,800)</u>	<u>-</u>	<u>(24,800)</u>	<u>23,032</u>	<u>-</u>	<u>23,032</u>
CHANGE IN NET ASSETS	(15,258)	(1,224)	(16,482)	31,747	(1,291)	30,456
NET ASSETS, BEGINNING OF YEAR	<u>212,307</u>	<u>5,627</u>	<u>217,934</u>	<u>180,560</u>	<u>6,918</u>	<u>187,478</u>
NET ASSETS, END OF YEAR	<u>\$ 197,049</u>	<u>\$ 4,403</u>	<u>\$ 201,452</u>	<u>\$ 212,307</u>	<u>\$ 5,627</u>	<u>\$ 217,934</u>

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

**RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Year Ended December 31, 2022	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	RMHC Local Chapter Grants and Support	Total Program Services	Management and General	Fundraising	Total
<i>(In Thousands)</i>								
Grants	\$ 3,835	\$ 1,703	\$ 101	\$ 36,347	\$ 41,986	\$ -	\$ -	\$ 41,986
Professional Fees	-	-	23	4,676	4,699	1,984	1,895	8,578
Donated Goods and Services	-	-	-	14,788	14,788	2,435	1,119	18,342
Meetings, Education, And Training	-	-	-	58	58	33	323	414
Travel, Meals, And Entertainment	-	-	-	389	389	38	24	451
Advertising	-	-	-	83	83	5,766	2,663	8,512
Other	-	-	45	4,198	4,243	643	2,102	6,988
TOTAL EXPENSES	\$ 3,835	\$ 1,703	\$ 169	\$ 60,539	\$ 66,246	\$ 10,899	\$ 8,126	\$ 85,271

Year Ended December 31, 2021	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	RMHC Local Chapter Grants and Support	Total Program Services	Management and General	Fundraising	Total
<i>(In Thousands)</i>								
Grants	\$ 5,465	\$ 2,400	\$ 565	\$ 40,086	\$ 48,516	\$ -	\$ -	\$ 48,516
Professional Fees	-	-	36	3,361	3,397	2,470	2,457	8,324
Donated Goods and Services	-	-	-	2,501	2,501	1,465	712	4,678
Meetings, Education, And Training	-	-	-	1	1	10	107	118
Travel, Meals, And Entertainment	-	-	-	15	15	18	5	38
Advertising	-	-	-	-	-	1,561	4,731	6,292
Other	-	-	42	3,891	3,933	364	1,947	6,244
TOTAL EXPENSES	\$ 5,465	\$ 2,400	\$ 643	\$ 49,855	\$ 58,363	\$ 5,888	\$ 9,959	\$ 74,210

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

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

	2022	2021
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,482)	\$ 30,456
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains/(losses) on investments	28,880	(17,948)
Bad debt	2	11
Amortization	281	281
Effects of changes in operating assets and liabilities:		
Contributions receivable	814	155
Other assets	(1,792)	1,672
Accounts payable and other liabilities	(133)	2,613
Grants payable	(451)	1,371
	<u>11,119</u>	<u>18,611</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(41,626)	(48,783)
Proceeds from sale of investments	32,533	35,407
	<u>(9,093)</u>	<u>(13,376)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS		
	2,026	5,235
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>20,570</u>	<u>15,335</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 22,596</u>	<u>\$ 20,570</u>
 SUPPLEMENTAL DISCLOSURES		
Donated Stock	<u>\$ 121</u>	<u>\$ 163</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities, Inc. (RMHC) is an Illinois nonprofit charitable corporation formed on September 7, 1977. The mission of RMHC is to create, find, and support programs that directly improve the health and well-being of children and their families. RMHC fulfills its mission by creating programs that address targeted needs and by supporting these programs and other activities conducted by its RMHC Local Chapters (Chapters) worldwide.

Ronald McDonald House Charities is a system of independent, separately registered public benefit organizations, referred to as “Chapters” by RMHC. Each Chapter is licensed by McDonald’s Corporation and RMHC to use RMHC related trademarks in conjunction with identifying its charitable organization, fundraising activities and the operation of its programs; the license agreement also sets standards of operations for programs, governance, finance, branding, and reporting. Collectively, RMHC 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, we value our heritage and we operate with accountability and transparency.

RMHC ensures delivery of the mission across the globe by building and sustaining a robust infrastructure of support for local Chapters. This includes operations, licensing and compliance, finance, risk management, communications, marketing and development. Following are the program activities operated by RMHC:

Support of RMHC Local Chapters:

- *Ronald McDonald House*
 - RMHC provides grants for new and expanding Ronald McDonald House programs. The Ronald McDonald House provides comfort, support and resources for families with ill or injured children.
- *Ronald McDonald Family Room*
 - RMHC provides grants for new Ronald McDonald Family Room programs, which offer a home-like environment within the walls of the hospital. Ronald McDonald Family Rooms provide families of hospitalized children with a place to refresh and relax while remaining near their child’s bedside.
- *Ronald McDonald Care Mobile*
 - RMHC developed and continues to support mobile pediatric health care services to children in underserved areas of the world by funding the capital build for all new Ronald McDonald Care Mobiles. In addition to primary and specialty medical care, health education, and oral health services, the program links children to other community and social service resources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support of RMHC Local Chapters: (continued)

- *RMHC Local Chapter Grants and Support*
 - RMHC provides expertise in all aspects of the three core program operations, other program development, and nonprofit management for its Chapters worldwide. Support also includes general program support grants. RMHC is committed to strengthening the global system of Chapters, by providing such grants and programmatic support to help each Chapter achieve a high level of excellence in management and operations, and to help them effectively and efficiently fulfill their mission. Activities include, among others: resource development; sharing best practices to improve all aspects of RMHC; strategic planning; technology upgrades; ongoing training and education of board, staff, and volunteers to encourage excellence in delivering programs, fundraising and administrative practices; investment in environmental sustainability activities such as energy audits, water and waste efficiency projects at Ronald McDonald House programs; facilitation of networking opportunities; and developing local fundraising capabilities to grow resources and meet new and expanding program needs.

Basis of Presentation

The financial statements of RMHC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a 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. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of RMHC to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Measure of Operations

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. RMHC has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Contributions Receivable

Contributions receivable are unconditional promises to give. RMHC has received unconditional promises to give consisting of pledges, bequests, and split-interest agreements. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the gift using risk-free interest rates applicable to the years in which the promises are received. There were no unconditional promises to give received in 2022 that were expected to be collected in future years. The discount rate used in 2021 was 0.2%. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

Contributions receivable also include the value of various split interest agreements. Split-interest agreements include five charitable remainder trusts from which RMHC will receive a percentage of the remaining assets upon the death of the initial beneficiaries, and an annuity from which RMHC receives annual payments during the donor's lifetime. A receivable has been recorded for the present value of the expected future cash flows using published life expectancy tables and a discount rate of 5.2% in 2022 and 1.6% in 2021. The fair value of the receivable is updated annually and the change in value and amortization of the present value discounts are included in contribution revenue.

RMHC is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

Cash Surrender Value of Life Insurance

RMHC carries the value of contributed life insurance policies at cash surrender value, which approximates fair value in the statements of financial position.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Software

Software and web development are stated at cost and amortized when placed in service. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, generally three years. RMHC capitalizes all acquisitions in excess of \$5,000. Ongoing maintenance contracts are charged to expense when incurred. The balance in software as of December 31, 2022 and 2021 is as follows:

	2022	2021
	<i>(In Thousands)</i>	
Software and web enhancements	\$ 1,552	\$ 2,871
Accumulated amortization	(1,389)	(2,427)
Total	\$ 163	\$ 444

The net book value of software costs is reported in other noncurrent assets on the statements of financial position.

Investments

RMHC records all investments in equity securities with readily determinable fair values and all investments in debt securities and commodities at fair value in the statements of financial position. Realized and unrealized investment gains and losses and income are included in the statements of activities.

RMHC also has investments of less than 1% in two limited partnerships which are reported at cost. Capital calls to cover management fees are expensed as incurred.

Donated Assets, Software, and Services

Donated marketable securities, software, and other noncash donations are recorded as contributions at their fair values 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 for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, RMHC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMHC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by RMHC. RMHC also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets of RMHC and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made. Contributions of approximately \$5,070,000 have not been recognized in the accompanying statement of activities because certain milestones have not been met.

Sponsorship Revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Special Event Revenue – Attendee Fees

The portion of attendee fees that relate to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of RMHC. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include donated services and occupancy, which are allocated on the basis of estimates of time and effort.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

RMHC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the tax-exempt purpose of RMHC is subject to taxation as unrelated business income. In addition, RMHC 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).

RMHC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. There were no income taxes for unrelated business income for the years ended December 31, 2022 and 2021.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). This new standard increases transparency and comparability among organizations 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. RMHC adopted the requirements of the guidance effective January 1, 2022, and this ASU did not have a material impact on its financial statements.

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. RMHC adopted the requirements of the guidance effective January 1, 2021.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2021, to conform to the presentation for the year ended December 31, 2022. The reclassifications had no impact on previously reported net assets.

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

NOTE 2 - LIQUIDITY

As of December 31, 2022 and 2021 financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2022	2021
	<i>(In Thousands)</i>	
Financial assets		
Cash and cash equivalents	\$ 22,596	\$ 20,570
Contributions receivable, net	11,626	10,417
Short-term investments	5,726	6,523
Other current assets	112	101
Total financial assets	40,060	37,611
Less amounts not available to be used for general expenditures within one year		
Restricted by donors with purpose restrictions	3,046	2,244
Total financial assets to meet cash needs for general expenditures within one year	\$ 37,014	\$ 35,367

RMHC maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, RMHC invests cash in excess of daily requirements in various short-term investments. In addition, RMHC maintains an operating reserve that allows for annual spending of 5% of assets based on a rolling 2 year average market value in addition to investment income and earnings, if needed. \$9,527,000 and \$8,286,000 of appropriations from the operating reserve, as of December 31, 2022 and 2021, respectively, were available within the next 12 months.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consists primarily of pledges, bequests, and split-interest agreements, as of the years ended December 31:

	2022	2021
	<i>(In Thousands)</i>	
Amounts due in:		
Less than One Year	\$ 11,626	\$ 10,417
One to Five Years	693	1,343
More than Five Years	758	2,134
Total	13,077	13,894
Unamortized Discount	(75)	(76)
Allowance for Uncollectibles	(21)	(21)
Net Contributions Receivable	\$ 12,981	\$ 13,797

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

NOTE 4 - FAIR VALUE MEASUREMENTS

In determining fair value, RMHC uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Cost	Total
	<i>(In Thousands)</i>				
Assets					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 44,069	\$ -	\$ -	\$ -	\$ 44,069
International Equity	21,557	-	-	-	21,557
Global	53,475	-	-	-	53,475
Commodities	8,530	-	-	-	8,530
Bonds	28,736	-	-	-	28,736
U.S. Corporate Equity					
Securities	15,884	-	-	-	15,884
Private Equity	-	-	-	36	36
Total Investments	<u>\$ 172,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 172,287</u>
Contributions Receivable, net					
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ 1,013</u>

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

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Cost	Total
	<i>(In Thousands)</i>				
Assets					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 53,499	\$ -	\$ -	\$ -	\$ 53,499
International Equity	24,394	-	-	-	24,394
Global	60,102	-	-	-	60,102
Commodities	9,089	-	-	-	9,089
Bonds	29,076	-	-	-	29,076
U.S. Corporate Equity					
Securities	15,795	-	-	-	15,795
Private Equity	-	-	-	119	119
Total Investments	<u>\$ 191,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ 192,074</u>
Contributions Receivable, net					
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,363</u>	<u>\$ -</u>	<u>\$ 2,363</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 3 split-interest agreements is determined by calculating the present value of future distributions expected to be received using published life expectancy tables and a discount rate of 5.2% in 2022 and 1.6% in 2021. Split-interest agreements are included in contributions receivable on the statements of financial position. There has been no change in valuation techniques from the prior year.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2022	2021
	<i>(In Thousands)</i>	
Beginning Balance	\$ 2,363	\$ 2,850
Payments received	-	(48)
Contributions	-	10
Change in value	(1,350)	(449)
Ending Balance	<u>\$ 1,013</u>	<u>\$ 2,363</u>

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

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Investments

Overall Investment Objective

The overall investment objective of RMHC is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. RMHC diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees, which oversees the investment program of RMHC in accordance with established guidelines.

The composition of investment income (losses), net on the investment portfolio of RMHC for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
	<i>(In Thousands)</i>	
Interest and Dividend Income, Net	\$ 4,080	\$ 5,084
Realized and Unrealized Gains (Losses), Net	(28,880)	17,948
Investment Income (Losses), Net	\$ (24,800)	\$ 23,032

Private Equity Funds

RMHC invests in two private equity funds that seek long-term capital appreciation by making mainly equity and equity-related investments in conjunction with privately negotiated transactions. The investment strategies include management buyout, growth-equity transactions, special equity situations, and investments acquired in the secondary market. Redemptions are not permitted during the life of the fund. However, interests may be transferred with the written consent of the general partner if certain conditions are met. The invested funds were committed for a period of 10 years, originally set to expire in July 2016. To maximize the remaining value of the partnership assets, one of the funds was extended until July 2023. The other fund is under orderly liquidation. Distributions are generally made when the funds receive income, but are at the discretion of the general partner.

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

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2022	2021
	<i>(In Thousands)</i>	
Subject to expenditure for specific purpose:		
Program Activities:		
Ronald McDonald House	\$ 557	\$ 198
Ronald McDonald Care Mobile	22	21
Ronald McDonald Family Room	98	53
Local Chapter support	2,581	2,637
	3,258	2,909
Subject to passage of time:		
For periods after December 31	1,145	2,718
Total net assets with donor restrictions	\$ 4,403	\$ 5,627

NOTE 6 - 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 years ended December 31, 2022 and 2021:

	2022	2021
	<i>(In Thousands)</i>	
Purpose restrictions accomplished:		
Ronald McDonald House	\$ 339	\$ 422
Ronald McDonald Care Mobile	26	27
Ronald McDonald Family Room	117	78
Local Chapter support	1,634	1,320
	2,116	1,847
Subject to passage of time:		
For periods after December 31	225	148
Total net assets with donor restrictions	\$ 2,341	\$ 1,995

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

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the year ending December 31, 2022 and 2021 as follows:

	2022	2021
	<i>(In Thousands)</i>	
Expenses		
Advertising	\$ 11,380	\$ -
Airline Tickets	210	160
Professional Services	6,752	4,518
Total Contributed Nonfinancial Assets	\$ 18,342	\$ 4,678

The organization recognized contributed nonfinancial assets within revenue, including advertising, airline tickets, and professional services.

Advertising is provided to RMHC through Public Service Announcements (PSAs) by various television networks, which is managed by a vendor. The PSAs are shown during unpurchased, open time slots and recorded by the television networks. The vendor tracks this data and then employs a third party to value the PSAs' fair value if the time slots had been purchased. All PSAs shown during the fiscal year are compiled and provided to RMHC to record the fair value. Other advertisements are also provided to RMHC through various mediums and are recorded at fair value.

Airline tickets are provided to RMHC from airlines. Airline tickets are provided at the fair value purchase price of tickets. Airline tickets are also provided through unused airline miles and valued by the airline under the fair value purchase price of tickets.

Professional services are comprised of consulting services, training, and employee services. Consulting and training services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services. Employee services are stated at the direct cost by the provider organization, McDonald's Corporation. Included within employee services are the free use of facilities, equipment, materials, travel, and meals, which totaled \$6,498,000 and \$4,308,000, for the years ended December 31, 2022 and 2021, respectively. For the remaining services, RMHC has an agreement with McDonald's Corporation whereby it reimburses the Company for the services at cost. Reimbursements to McDonald's Corporation totaled \$2,993,000 and \$2,547,000 for the years ended December 31, 2022 and 2021, respectively, of which \$874,000 and \$720,000 was in accounts payable for the year-ended December 31, 2022 and 2021, respectively.

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

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

NOTE 8 - RELATED PARTY TRANSACTIONS

RMHC provides ongoing program grants to all of its Chapters around the world. These program grants are pre-authorized by the board of RMHC for the benefit of all Chapters. The grants are available to all Chapters that meet the program parameters; as such, the individual grants do not require any additional board action. Grants totaling \$1,704,000 and \$1,957,000, during the years ended December 31, 2022 and 2021, respectively, were provided to Chapters where certain members of the RMHC board also serve as officers and/or directors of the Chapter.

NOTE 9 - CONCENTRATIONS

McDonald's Corporation provides support to RMHC through donated goods and services (see Note 7), direct contributions, and facilitation of fundraisers at its company-owned and franchised restaurants, of which the proceeds collected are remitted to RMHC. Contributions from these efforts totaled \$65,996,000 and \$67,518,000, during the years ended December 31, 2022 and 2021, respectively. This represents 71% and 83% of total revenues, of which \$8,215,000 and \$8,235,000 are included in contributions receivable as of December 31, 2022 and 2021, respectively.

NOTE 10 - SUBSEQUENT EVENT DISCLOSURES

Management evaluated subsequent events through May 4, 2023, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

This information is an integral part of the accompanying financial statements.



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