CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

**Ronald McDonald House Charities of Greater Cincinnati, Inc.**

Financial Statements

December 31, 2022 and 2021

with Independent Auditors' Report


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## INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ronald McDonald House Charities of Greater Cincinnati, Inc.

**Opinion**
We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Cincinnati, Inc. (a not-for-profit 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 Greater Cincinnati, Inc. 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Greater Cincinnati, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Greater Cincinnati, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 Greater Cincinnati, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Greater Cincinnati, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio
May 24, 2023

| | | 2022 | 2021 |
|---|---|---|---|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ | 2,360,357 | 2,765,188 |
| Investment income receivable | | 95,508 | 77,144 |
| Third-party receivables | | 344,418 | 94,275 |
| Other accounts receivable | | 43,101 | 43,154 |
| Contributions receivable | | 405,488 | 962,866 |
| Prepaid expenses and other assets | | 7,041 | 35,579 |
| | | 3,255,913 | 3,978,206 |
| Noncurrent assets: | | | |
| Contributions receivable, less current portion | | 1,236,313 | 1,505,816 |
| Cash surrender value of donated life insurance policies | | 146,098 | 140,731 |
| Investments | | 30,167,364 | 34,022,644 |
| Property and equipment, net | | 53,793,413 | 54,441,345 |
| | | 85,343,188 | 90,110,536 |
| Total assets | $ | 88,599,101 | 94,088,742 |
| Liabilities and net assets: | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | $ | 214,747 | 176,258 |
| Accrued expenses | | 376,912 | 338,308 |
| | | 591,659 | 514,566 |
| Net assets: | | | |
| Without donor restrictions | | 85,182,606 | 87,882,260 |
| With donor restrictions | | 2,824,836 | 5,691,916 |
| | | 88,007,442 | 93,574,176 |
| Total liabilities and net assets | $ | 88,599,101 | 94,088,742 |

See accompanying notes to the financial statements.

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and other support: | | | |
| Contributions | $ 4,745,933 | 573,876 | 5,319,809 |
| In-kind contributions | 476,096 | - | 476,096 |
| Special events revenue | 1,074,197 | - | 1,074,197 |
| Room donations - guest families | 109,614 | - | 109,614 |
| Third party room reimbursements | 689,619 | - | 689,619 |
| Net assets released from restrictions | 3,288,343 | (3,288,343) | - |
| Total revenue and other support | 10,383,802 | (2,714,467) | 7,669,335 |
| Expenses: | | | |
| Program | 7,113,014 | - | 7,113,014 |
| Management and general | 530,855 | - | 530,855 |
| Fundraising | 1,382,968 | - | 1,382,968 |
| Cost of direct benefit to donors | 266,936 | - | 266,936 |
| Total expenses | 9,293,773 | - | 9,293,773 |
| Investment income, net | (3,789,683) | (152,613) | (3,942,296) |
| Change in net assets | (2,699,654) | (2,867,080) | (5,566,734) |
| Net assets at beginning of year | 87,882,260 | 5,691,916 | 93,574,176 |
| Net assets at end of year | $ 85,182,606 | 2,824,836 | 88,007,442 |

See accompanying notes to the financial statements.

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and other support: | | | |
| Contributions | $ 4,470,374 | 887,050 | 5,357,424 |
| In-kind contributions | 309,027 | - | 309,027 |
| Special events revenue | 619,850 | - | 619,850 |
| Room donations - guest families | 58,490 | - | 58,490 |
| Third party room reimbursements | 255,508 | - | 255,508 |
| Net assets released from restrictions | 5,032,307 | (5,032,307) | - |
| Total revenue and other gains | 10,745,556 | (4,145,257) | 6,600,299 |
| Expenses: | | | |
| Program | 5,756,904 | - | 5,756,904 |
| Management and general | 498,194 | - | 498,194 |
| Fundraising | 1,163,785 | - | 1,163,785 |
| Cost of direct benefit to donors | 92,149 | - | 92,149 |
| Total expenses | 7,511,032 | - | 7,511,032 |
| Investment income, net | 4,141,547 | 169,941 | 4,311,488 |
| Change in net assets | 7,376,071 | (3,975,316) | 3,400,755 |
| Net assets at beginning of year | 80,506,189 | 9,667,232 | 90,173,421 |
| Net assets at end of year | $ 87,882,260 | 5,691,916 | 93,574,176 |

| | Program | Management and General | Fundraising | Cost of Direct Benefits to Donors | Total |
|---|---|---|---|---|---|
| Salaries and wages | $ 2,615,442 | 333,907 | 729,658 | - | 3,679,007 |
| Payroll taxes | 221,053 | 28,024 | 62,413 | - | 311,490 |
| Benefits | 327,295 | 37,652 | 91,542 | - | 456,489 |
| Communications and development | 175,316 | 4,952 | 320,267 | - | 500,535 |
| Depreciation | 1,500,426 | 10,637 | 8,509 | - | 1,519,572 |
| Guest services | 341,648 | 230 | - | - | 341,878 |
| House food and supplies | 665,865 | 1,467 | 1,260 | - | 668,592 |
| Meetings, conventions, staff development | 18,588 | 33,335 | 9,270 | - | 61,193 |
| Office | 215,526 | 34,340 | 115,929 | - | 365,795 |
| Professional fees | 48,346 | 44,517 | 3,849 | - | 96,712 |
| Repairs and maintenance | 983,509 | 1,794 | 1,435 | - | 986,738 |
| Special events | - | - | 38,836 | 266,936 | 305,772 |
| | $ 7,113,014 | 530,855 | 1,382,968 | 266,936 | 9,293,773 |

See accompanying notes to the financial statements.

| | Program | Management and General | Fundraising | Cost of Direct Benefits to Donors | Total |
|---|---|---|---|---|---|
| Salaries and wages | $ 1,947,824 | 298,375 | 631,581 | - | 2,877,780 |
| Payroll taxes | 168,510 | 26,119 | 54,578 | - | 249,207 |
| Benefits | 246,227 | 32,834 | 79,936 | - | 358,997 |
| Communications and development | 108,663 | 4,585 | 254,943 | - | 368,191 |
| Depreciation | 1,457,103 | 10,390 | 8,412 | - | 1,475,905 |
| Guest services | 372,897 | - | - | - | 372,897 |
| House food and supplies | 317,623 | - | - | - | 317,623 |
| Meetings, conventions, staff development | 17,132 | 25,554 | 1,365 | - | 44,051 |
| Office | 269,204 | 33,686 | 102,124 | - | 405,014 |
| Professional fees | 31,281 | 65,048 | 3,090 | - | 99,419 |
| Repairs and maintenance | 820,440 | 1,603 | 1,298 | - | 823,341 |
| Special events | - | - | 26,458 | 92,149 | 118,607 |
| | $ 5,756,904 | 498,194 | 1,163,785 | 92,149 | 7,511,032 |

See accompanying notes to the financial statements.

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ (5,566,734) | 3,400,755 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,519,572 | 1,475,905 |
| Change in unamortized discount of pledges due in more than one year | (22,436) | (7,641) |
| Realized gains on sale of investments | (328,152) | (900,276) |
| Unrealized (gains) losses on investments | 4,882,660 | (2,880,303) |
| Contributions restricted for capital campaign | - | (186,050) |
| Donated stock | (125,964) | (87,848) |
| Effects of change in operating assets and liabilities: | | |
| Investment income receivable | (18,364) | (22,930) |
| Third-party receivables | (250,143) | (27,542) |
| Other accounts receivable | 53 | (43,154) |
| Contributions receivable | 849,317 | 636,735 |
| Prepaid expenses and other assets | 28,538 | 8,347 |
| Cash surrender value of donated life insurance policies | (5,367) | (9,950) |
| Accounts payable and accrued expenses | 158,190 | 95,392 |
| Net cash provided by operating activities | 1,121,170 | 1,451,440 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 24,786,020 | 18,485,346 |
| Purchases of investments | (25,359,284) | (19,024,415) |
| Purchases of property and equipment | (952,737) | (1,659,423) |
| Net cash used by investing activities | (1,526,001) | (2,198,492) |
| Cash flows from financing activities: | | |
| Contributions restricted for capital campaign | - | 186,050 |
| Change in cash and cash equivalents | (404,831) | (561,002) |
| Cash and cash equivalents - beginning of year | 2,765,188 | 3,326,190 |
| Cash and cash equivalents - end of year | $ 2,360,357 | 2,765,188 |
| Noncash transactions: | | |
| Fixed assets purchases included in liabilities | $ - | 81,097 |

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Ronald McDonald House Charities of Greater Cincinnati, Inc. (the "Organization") are set forth to facilitate the understanding of data presented in the financial statements:

**Nature of operations**
The Organization is an Ohio not-for-profit corporation, incorporated in 1979. The Organization offers a community of compassion, support and the comforts of home to families with critically ill children, steps away from the medical care they need. In order to provide these essential services, the Organization solicits contributions from the general public.

**New accounting standard**
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 Non-Financial Assets*. The standard requires separate disclosure of non-financial contributed assets on the statement of activities and enhanced disclosures including the Organization's policy for valuation and monetization of contributed non-financial assets and any donor-restrictions attached to the assets. The Organization elected to adopt this ASU effective January 1, 2022. The adoption of this ASU did not have a material impact on the organization.

**Financial statement presentation**
The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

**Cash and 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 the Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**Accounts receivable**
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization has deemed all accounts receivable to be collectible as of December 31, 2022 and 2021.

**Contributions receivable**
Contributions receivable are unconditional promises to give. 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 using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes the contributions receivable are collectible and an allowance is not necessary at December 31, 2022 and 2021. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense. There were no write-offs during 2022 and 2021.

The Organization 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 a probate court and the proceeds are measurable.

**Investments**
The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses, interest and dividend income netted against investment expenses are reported in the statements of activities as investment income, net. Realized gains and losses on sale of investments are the difference between the proceeds received and the specific cost of the investments sold. Unrealized gain or loss is the net change in the difference between the aggregate fair value and the cost of the investments held at the beginning and end of the reporting periods.

The Organization maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

The Organization holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Property and equipment**
Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of $5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Building and improvements | 30 – 40 Years |
| Office furniture and equipment | 5 – 7 Years |
| Vehicles | 5 Years |
| Landscaping | 15 Years |

**Donated assets, property and equipment, and services**
Donated marketable securities, property and equipment, 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 contributions 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 as instructed by the donor. The Organization 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 the Organization.

No amounts have been reflected in the statements for donor volunteer time where there is no objective basis available to measure the value of such services. As a result, these services do not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's House operations and fundraising activities. The Organization receives more then 80,000 volunteer hours per year on average. However, due to the COVID-19 pandemic the volunteer hours have decreased.

**Revenue recognition**
Contributions are recognized as revenue in the period the unconditional promise is made. Conditional promises are recorded as revenue when the conditions are met. Contributions, grants, and bequests are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Room donations are recognized when received. Investment income is recognized when earned.

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 are billed based on a negotiated rate based on the Organization's average cost per night of providing housing to guest families. Revenue is considered to be earned and is recognized at a point in time when the performance obligation is met. Third-party receivables are included on the statements of financial position and are contract receivables. The balance of third-party receivables as of January 01, 2021 totaled $41,296.

**Allocation of functional expenses**
The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Expenses are directly applied when applicable, the following expenses include allocated expenses based on a periodic time study performed by management: salaries and wages, payroll taxes, benefits, communications and development, meetings, conventions, staff development, office and professional fees. Depreciation and building expenses include allocated expenses based on square footage.

**Income tax status**
The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Management does not believe the Organization has any unrelated business income tax due.

**Reclassification**
Certain items from 2021 have been reclassified to conform to current year presentation.

**Subsequent events**
The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 24, 2023, the date on which the financial statements were available to be issued.

## 2. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Due within one year | $ 405,488 | 962,866 |
| Due within two - five years | 1,109,268 | 1,201,207 |
| Thereafter | 200,000 | 400,000 |
| Less unamortized discount | (72,955) | (95,391) |
| | $ 1,641,801 | 2,468,682 |

## 3. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on cash equivalents (cash management funds), fixed income funds, equity securities and real estate funds are based on the Level 1 market approach.

The following tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022 and 2021.

| | Fair Value Measurements at Reporting Date Using | | | |
|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| December 31, 2022 | | | | |
| Cash management fund | $ 484,301 | 484,301 | - | - |
| Fixed income funds | 9,453,005 | 9,453,005 | - | - |
| Equity securities | 20,230,058 | 20,230,058 | - | - |
| | $ 30,167,364 | 30,167,364 | - | - |
| December 31, 2021 | | | | |
| Cash management fund | $ 388,709 | 388,709 | - | - |
| Fixed income funds | 10,943,335 | 10,943,335 | - | - |
| Equity securities | 22,636,441 | 22,636,441 | - | - |
| Real estate funds | 54,159 | 54,159 | - | - |
| | $ 34,022,644 | 34,022,644 | - | - |

## 4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31:

| | 2022 | 2021 |
|---|---|---|
| Buildings | $ 61,466,834 | 61,019,271 |
| Equipment and furnishings | 2,025,085 | 2,002,116 |
| | 63,491,919 | 63,021,387 |
| Less accumulated depreciation | 11,531,275 | 10,064,341 |
| | 51,960,644 | 52,975,046 |
| Land | 1,474,454 | 1,474,454 |
| Construction in progress | 358,315 | 9,845 |
| | $ 53,793,413 | 54,441,345 |

## 5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes at December 31:

| | 2022 | 2021 |
|---|---|---|
| Subject to expenditure for specific purpose: | | |
| Capital campaign | $ 1,196,192 | 3,697,192 |
| Endowment | 329,859 | 521,472 |
| Other | 503,591 | 678,058 |
| | 2,029,642 | 4,896,722 |
| Endowment held in perpetuity | 795,194 | 795,194 |
| Total net assets with donor restrictions: | $ 2,824,836 | 5,691,916 |

## 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 passage of time or other events specified by donors as follows for the year ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Purpose restrictions accomplished: | | |
| Capital campaign | $ 2,500,000 | 4,445,167 |
| Other | 788,343 | 587,140 |
| Total restrictions released | $ 3,288,343 | 5,032,307 |

There were no assets released from donor restriction due to the passage of time during December 31, 2022 and 2021.

## 7. BOARD SELF-DESIGNATED ENDOWMENT FUND:

Generally accepted accounting principles require that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment consists of two funds established to provide income to operations. Its endowment includes both a donor-restricted and a board-designated fund.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The Organization utilizes a 20-calendar quarter look-back average for the determination of fair value of the restricted funds in calculating the 5% presumed prudent expenditure (inclusive of management fees and expenses). Any income or appreciation that is not expended or appropriated to assets without donor restrictions at the end of the calendar year remains in assets with donor restrictions. The Organization considers the following factors in making a determination to appropriate endowment funds with donor restrictions held in perpetuity in addition to the 5% rolling average described above: (1) the duration and preservation of the funds, (2) the purposes of the endowment funds held in perpetuity with donor restrictions, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other Organization resources, and (7) the Organization's investment policies.

The Board of Trustees has resolved to commit all proceeds of all charitable planned gifts without donor restrictions to the Organization Self-Designated Endowment Fund to be administrated in accordance with the Organization's policy for such Fund, provided, however, that if a gift is transferred to the Organization with a use or other restriction designated by a donor, such donor designated use or restriction shall control and be honored. Charitable planned gifts shall include, but not be limited to, bequests, distributions from charitable remainder trusts and charitable lead trusts, proceeds from life insurance policies, distributions from retirement plan assets, proceeds from gift annuities and other charitable gifts.

Endowment net asset composition by type of fund is as follows at December 31, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor – restricted endowment | $ - | 1,125,053 | 1,125,053 |
| Board – designated endowment | 5,869,159 | - | 5,869,159 |
| Total | $ 5,869,159 | 1,125,053 | 6,994,212 |

Endowment net asset composition by type of fund is as follows at December 31, 2021:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor – restricted endowment | $ - | 1,316,666 | 1,316,666 |
| Board – designated endowment | 6,476,837 | - | 6,476,837 |
| Total | $ 6,476,837 | 1,316,666 | 7,793,503 |

Changes in endowment net assets are as follows for the year ended December 31, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets at beginning of year | $ 6,476,837 | 1,316,666 | 7,793,503 |
| Contributions | 306,002 | - | 306,002 |
| Investment income, net | (765,044) | (152,613) | (917,657) |
| Appropriation of endowment assets for expenditure | (148,636) | (39,000) | (187,636) |
| Endowment net assets at end of year | $ 5,869,159 | 1,125,053 | 6,994,212 |

Changes in endowment net assets are as follows for the year ended December 31, 2021:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets at beginning of year | $ 5,498,276 | 1,182,725 | 6,681,001 |
| Contributions | 285,894 | - | 285,894 |
| Investment income, net | 816,215 | 169,941 | 986,156 |
| Appropriation of endowment assets for expenditure | (123,548) | (36,000) | (159,548) |
| Endowment net assets at end of year | $ 6,476,837 | 1,316,666 | 7,793,503 |

**Return objectives and risk parameters**
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indexes while assuming a moderate level of investment risk. The Organization expects its endowment funds, over a moving five-year period, to exceed the Consumer Price Index by 4.0%. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives**
To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy**
The Board of Trustees' Finance Committee has administrative responsibility to 1) receive contributions to the Fund that are voluntarily designated by the Board, 2) manage and invest the Fund's assets pursuant to the Organization's investment policy and 3) make available to the Organization for its general charitable purposes an amount the greater of $250,000 or up to 5% (inclusive of management fees and expenses) of the average of the fair value of the Fund with donor restrictions as of the close of the last business day of the twenty calendar quarters immediately preceding the year for which the expenditure is appropriated. In establishing this policy, the Organization considers the long-term expected return on its endowment with donor restrictions. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment with donor restrictions and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## 8. CONTRIBUTIONS:

Contributions consist of the following at December 31:

| | | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|---|
| 2022: | | | | |
| Contributions | $ | 4,748,409 | - | 4,748,409 |
| Capital projects | | - | 259,676 | 259,676 |
| Realized planned giving | | 306,002 | - | 306,002 |
| Program activity fund | | - | 45,000 | 45,000 |
| "Taste of Hope' meals program | | 167,618 | 269,200 | 436,818 |
| | $ | 5,222,029 | 573,876 | 5,795,905 |
| 2021: | | | | |
| Contributions | $ | 4,358,240 | 109,100 | 4,467,340 |
| Capital projects | | - | 76,950 | 76,950 |
| Realized planned giving | | 285,894 | - | 285,894 |
| "Taste of Hope' meals program | | 135,267 | 701,000 | 836,267 |
| | $ | 4,779,401 | 887,050 | 5,666,451 |

## 9. CONTRIBUTED NONFINANCIAL ASSETS:

The fair value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expense categories consist of the following for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| House supplies/maintenance | $ 152,562 | 62,456 |
| Food/Taste of Hope | 158,534 | 96,771 |
| Administrative/fundraising | - | 33,200 |
| Professional fees | 5,000 | 7,500 |
| Non-capitalizable furniture and fixtures | 160,000 | 109,100 |
| Total contributed nonfinancial assets | $ 476,096 | 309,027 |

Contributed house supplies/maintenance and Food/Taste of Hope in-kind donations were utilized in the operations of the Organization and as part of the Taste of Hope meals program. In valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed administrative/fundraising and professional fees services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed professional services recognized are comprised of professional services from attorneys advising the Organization on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

In valuing non-capitalizable furniture and fixtures, the Organization estimated fair value at the date of donation.

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.

**10. INVESTMENT INCOME, NET:**

The composition of investment income on the Organization's investment portfolio is as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividend income | $ 715,852 | 668,506 |
| Realized gain on sale of investments | 328,152 | 900,276 |
| Unrealized gain (loss) on investments | (4,882,660) | 2,880,303 |
| Less investment expenses | (103,640) | (137,597) |
| Investment income, net | $ (3,942,296) | 4,311,488 |

**11. RETIREMENT PLAN:**

The Organization maintains an Internal Revenue Code Section 403(b) Retirement Plan providing all eligible employees with employer contributions and employee elective deferrals under a salary reduction agreement. All employees are eligible to make elective deferrals; however, to be eligible for employer contributions, they must satisfy the applicable service requirements of one year of service (12 consecutive months of employment) and have been credited with at least 1,000 hours of service. The service requirement was waived for employees hired before January 1, 2009.

The Organization may contribute matching and nonelective contributions. At present, the Organization is matching employee elective deferrals dollar for dollar up to 5%. If an employee makes elective deferrals, the Organization will match regardless of service except for employees hired after January 1, 2009 who must meet the applicable service requirements. Matching payments for 2022 and 2021 totaled $119,258 and $101,204 respectively. Employees are always 100% vested in all amounts in their accounts.

## 12. TRANSACTIONS WITH RELATED ENTITIES:

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 75% 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 $207,800 and $220,300, respectively, from these revenue streams.

## 13. CONCENTRATIONS:

There was no revenue concentration in 2022. Two donors accounted for approximately 88% and 75% of contributions receivable in 2022 and 2021 respectively. These contributions are restricted for future expansion and food programs.

The concentration of contributions receivable in 2022 and 2021 is due primarily to a capital campaign that was raising funds for the construction of the new, adjacent building which was opened in November 2020 and the remodeling of the existing building, which was completed in 2021. There was also a food program to help feed families staying at the Ronald McDonald House Charities of Greater Cincinnati.

## 14. LIQUIDITY DISCLOSURES:

The Organization 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, the Organization invests cash in excess of daily requirements in various short-term investments. The Board designated endowment is available to meet liquidity needs and as a result, has been excluded from the limitations below.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

| | | 2022 | 2021 |
|---|---|---|---|
| Financial assets: | | | |
| Cash and cash equivalents | $ | 2,360,357 | 2,765,188 |
| Investment income receivable | | 95,508 | 77,144 |
| Accounts receivable | | 387,519 | 137,429 |
| Current contributions receivable | | 405,488 | 962,866 |
| Investments | | 30,167,364 | 34,022,644 |
| Financial assets available at year-end | | 33,416,236 | 37,965,271 |
| Less those unavailable for general expenditures within one year due to: | | | |
| Contributions receivable, cash and investments with purpose restrictions | | 2,027,489 | 3,982,396 |
| Donor restricted endowment held in perpetuity | | 795,194 | 795,194 |
| | | 2,822,683 | 4,777,590 |
| Financial assets available to meet cash needs for general expenditures within one year | $ | 30,593,583 | 33,187,681 |

**15. PURPOSE FOR ACCUMULATING FUNDS WITHOUT DONOR RESTRICTIONS:**

Public support is vital to provide a “home away from home” for families with critically ill children, and annual donations are used as operating and program support primarily in the fiscal year in which they are received. Thanks to the generosity of the community and because of significant estate gifts, the Organization is fortunate to have assets without donor restrictions that make up approximately 9 times its annual budget. These critical reserves were able to help support the strategic expansion and the increased operating support of the Organization. Construction on the adjacent building has concluded and was opened in November 2020. Prior to the expansion, the Organization was not able to serve approximately 1,800 families per year. While this building allows the Organization to eliminate or significantly decrease this unmet need by more than doubling the number of families currently being served, it entails a significant increase in the operating budget which will be supported by these critical operating reserves.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

May 24, 2023

Board of Trustees
Ronald McDonald House Charities of Greater Cincinnati, Inc.
350 Erkenbrecher Ave
Cincinnati, Ohio 45229

We have audited the financial statements of Ronald McDonald House Charities of Greater Cincinnati, Inc. (the "Organization") for the year ended December 31, 2022, and we will issue our report thereon dated May 24, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

*Qualitative Aspects of Accounting Practices*
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ronald McDonald House Charities of Greater Cincinnati, Inc. are described in Note 1 to the financial statements. During 2022, the Organization adopted Accounting Standard update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit entities for Non-Financial Assets*. The adoption of the standard did not have a material impact on the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of allowance for uncollectible third-party receivables. We evaluated the key factors and assumptions used to develop the aforementioned estimate in determining that it is reasonably in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*
We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

*Disagreements with Management*
For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*
We have requested certain representations from management that are included in the management representation letter dated May 24, 2023.

*Management Consultations with Other Independent Accountants*
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Ronald McDonald House Charities of Greater Cincinnati, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Clark, Schaefer, Hackett & Co.*

<u>Passed Adjusting Journal Entries</u>

To adjust 3rd party receivable from estimate to actual amount to be received.

| | | | |
|---|---|---|---|
| 5200 | Third Party Billing | $28,418.00 | |
| 1120 | Third-party Billing Receivable | | $28,418.00 |

To adjust WV revenue for night stays in 2021 but recorded as revenue in 2022.

| | | | |
|---|---|---|---|
| 5200 | Third Party Billing | $27,225.00 | |
| 3000 | Net Assets | | $27,225.00 |