




Ronald McDonald House Charities of Kansas City, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



Ronald McDonald House Charities of Kansas City, Inc.
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December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities of Kansas City, Inc.
Kansas City, Missouri

Opinion

We have audited the financial statements of Ronald McDonald House Charities of Kansas City, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Forvis Mazars, LLP

**Kansas City, Missouri
October 11, 2024**

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

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 930,655	\$ 1,593,654
Restricted cash	2,463,009	686,521
Accounts receivables, net of allowance	253,497	73,991
Employee retention credit receivable	508,954	-
Contributions receivable, net	1,618,142	1,290,576
Other	53,851	115,266
	<u>5,828,108</u>	<u>3,760,008</u>
Non-Current Assets		
Contributions receivable, net	26,563	49,155
Beneficial interest in assets held by other	38,809	137,313
Investments	7,104,278	6,103,642
Property and equipment, net	12,006,342	12,140,046
Other	32,683	32,683
	<u>19,208,675</u>	<u>18,462,839</u>
Total current assets	<u>5,828,108</u>	<u>3,760,008</u>
Total non-current assets	<u>19,208,675</u>	<u>18,462,839</u>
Total assets	<u>\$ 25,036,783</u>	<u>\$ 22,222,847</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 250,427	\$ 296,425
Accrued liabilities	252,222	239,549
Deferred revenue	5,000	5,000
	<u>507,649</u>	<u>540,974</u>
Total current liabilities	<u>507,649</u>	<u>540,974</u>
Net Assets		
Without donor restrictions	16,271,469	15,602,736
With donor restrictions	8,257,665	6,079,137
	<u>24,529,134</u>	<u>21,681,873</u>
Total net assets	<u>24,529,134</u>	<u>21,681,873</u>
Total liabilities and net assets	<u>\$ 25,036,783</u>	<u>\$ 22,222,847</u>

Ronald McDonald House Charities of Kansas City, Inc.
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	\$ 1,969,166	\$ 2,353,260	\$ 4,322,426
Contributions of nonfinancial assets	265,653	617,182	882,835
Contributions – McDonald’s related fundraisers	423,392	38,330	461,722
Total contributions	<u>2,658,211</u>	<u>3,008,772</u>	<u>5,666,983</u>
Organization-sponsored fundraising events	938,166	494,140	1,432,306
External fundraising events	450,828	1,000,000	1,450,828
Medicaid revenue	724,285	-	724,285
Grant income	508,954	-	508,954
Other income	2,805	-	2,805
Net assets released from restrictions	<u>2,452,855</u>	<u>(2,452,855)</u>	<u>-</u>
Total revenues, gains and other support	<u>7,736,104</u>	<u>2,050,057</u>	<u>9,786,161</u>
Expenses and Losses			
Program services	5,542,565	-	5,542,565
Cost of direct benefits to donors	324,716	-	324,716
Support services			
Management and general	757,985	41,712	799,697
Fundraising	<u>1,267,252</u>	<u>-</u>	<u>1,267,252</u>
Total expenses and losses	<u>7,892,518</u>	<u>41,712</u>	<u>7,934,230</u>
Change in Net Assets from Operations	(156,414)	2,008,345	1,851,931
Net Investment Gain	<u>825,147</u>	<u>170,183</u>	<u>995,330</u>
Change in Net Assets	668,733	2,178,528	2,847,261
Net Assets, Beginning of Year	<u>15,602,736</u>	<u>6,079,137</u>	<u>21,681,873</u>
Net Assets, End of Year	<u>\$ 16,271,469</u>	<u>\$ 8,257,665</u>	<u>\$ 24,529,134</u>

Ronald McDonald House Charities of Kansas City, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	\$ 2,310,036	\$ 626,326	\$ 2,936,362
Contributions of nonfinancial assets	350,149	312,621	662,770
Contributions – McDonald’s related fundraisers	540,082	5,000	545,082
Total contributions	<u>3,200,267</u>	<u>943,947</u>	<u>4,144,214</u>
Organization-sponsored fundraising events	903,113	533,175	1,436,288
External fundraising events	315,522	1,208,334	1,523,856
Medicaid revenue	490,625	-	490,625
Other income (loss)	188	(2,156)	(1,968)
Net assets released from restrictions	<u>3,227,468</u>	<u>(3,227,468)</u>	<u>-</u>
Total revenues, gains and other support	<u>8,137,183</u>	<u>(544,168)</u>	<u>7,593,015</u>
Expenses and Losses			
Program services	5,065,974	-	5,065,974
Cost of direct benefits to donors	316,600	-	316,600
Support services			
Management and general	766,048	-	766,048
Fundraising	<u>1,172,406</u>	<u>-</u>	<u>1,172,406</u>
Total expenses and losses	<u>7,321,028</u>	<u>-</u>	<u>7,321,028</u>
Change in Net Assets from Operations	816,155	(544,168)	271,987
Net Investment Loss	<u>(860,924)</u>	<u>(391,721)</u>	<u>(1,252,645)</u>
Change in Net Assets	(44,769)	(935,889)	(980,658)
Net Assets, Beginning of Year	<u>15,647,505</u>	<u>7,015,026</u>	<u>22,662,531</u>
Net Assets, End of Year	<u><u>\$ 15,602,736</u></u>	<u><u>\$ 6,079,137</u></u>	<u><u>\$ 21,681,873</u></u>

Ronald McDonald House Charities of Kansas City, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
	Ronald McDonald Houses	Family Room	Project GROW					
Salaries	\$ 1,593,422	\$ 355,371	\$ -	\$ 1,948,793	\$ 309,690	\$ 539,204	\$ -	\$ 2,797,687
Employee benefits	359,680	87,890	-	447,570	90,089	76,551	-	614,210
Payroll taxes	117,655	25,504	-	143,159	22,203	38,889	-	204,251
Total	2,070,757	468,765	-	2,539,522	421,982	654,644	-	3,616,148
Advertising	-	-	-	-	-	89,074	-	89,074
Automobile	1,004	-	-	1,004	-	200	-	1,204
Cleaning services and supplies	194,029	-	-	194,029	-	-	-	194,029
Depreciation	874,866	150,288	67,963	1,093,117	6,735	1,103	-	1,100,955
Direct mail	-	-	-	-	-	209,745	-	209,745
Donor recognition	204	-	-	204	553	33,870	-	34,627
Family support services and supplies	363,657	25,779	-	389,436	89	-	-	389,525
Insurance	130,846	12,903	-	143,749	9,180	12,193	-	165,122
Linens and laundry	62,996	-	-	62,996	-	-	-	62,996
Maintenance and repairs	411,685	2,731	22,025	436,441	1,696	216	-	438,353
Meetings, education and training	9,769	267	-	10,036	39,132	6,661	-	55,829
Office supplies	5,743	-	-	5,743	12,167	4,978	-	22,888
Postage and courier	165	56	-	221	1,492	7,897	-	9,610
Printing and publishing	1,632	1,871	-	3,503	221	30,381	-	34,105
Professional fees	-	-	-	-	158,992	1,573	-	160,565
Rent	973	192,436	-	193,409	-	-	121,554	314,963
Technology	79,007	11,803	-	90,810	33,662	71,575	-	196,047
Telephone	51,936	-	-	51,936	-	-	-	51,936
Travel, meals and entertainment	582	1,039	-	1,621	190	2,819	172,727	177,357
Utilities	253,400	-	16,302	269,702	-	-	-	269,702
Volunteer resources and recognition	-	84	-	84	-	6,862	-	6,946
Other	2,068	52,934	-	55,002	113,606	133,461	30,435	332,504
Total Expenses	<u>\$ 4,515,319</u>	<u>\$ 920,956</u>	<u>\$ 106,290</u>	<u>\$ 5,542,565</u>	<u>\$ 799,697</u>	<u>\$ 1,267,252</u>	<u>\$ 324,716</u>	<u>\$ 7,934,230</u>

Ronald McDonald House Charities of Kansas City, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
	Ronald McDonald Houses	Family Room	Project GROW					
Salaries	\$ 1,529,106	\$ 321,806	\$ -	\$ 1,850,912	\$ 320,619	\$ 493,280	\$ -	\$ 2,664,811
Employee benefits	337,629	65,623	-	403,252	75,547	81,453	-	560,252
Payroll taxes	113,785	23,882	-	137,667	23,479	35,705	-	196,851
Total	1,980,520	411,311	-	2,391,831	419,645	610,438	-	3,421,914
Advertising	-	-	-	-	-	79,334	-	79,334
Automobile	387	-	-	387	-	-	-	387
Cleaning services and supplies	135,005	-	-	135,005	-	-	-	135,005
Depreciation	806,014	150,591	67,963	1,024,568	5,769	1,672	-	1,032,009
Direct mail	-	-	-	-	-	228,598	-	228,598
Donor recognition	-	726	-	726	2,292	19,344	-	22,362
Family support services and supplies	379,444	11,033	-	390,477	999	-	-	391,476
Insurance	133,791	13,183	-	146,974	9,372	12,457	-	168,803
Linens and laundry	33,796	118	-	33,914	-	-	-	33,914
Maintenance and repairs	377,309	6,844	9,588	393,741	766	362	-	394,869
Meetings, education and training	2,176	-	-	2,176	43,188	3,452	-	48,816
Office supplies	9,307	-	-	9,307	10,705	4,959	-	24,971
Postage and courier	229	68	-	297	6,425	4,144	-	10,866
Printing and publishing	109	-	-	109	129	23,639	-	23,877
Professional fees	-	-	-	-	137,939	2,910	-	140,849
Rent	1,168	187,712	-	188,880	-	-	126,759	315,639
Technology	60,970	6,849	-	67,819	50,011	78,638	-	196,468
Telephone	50,672	-	-	50,672	-	-	-	50,672
Travel, meals and entertainment	631	368	-	999	30	3,125	152,739	156,893
Utilities	211,213	-	6,251	217,464	-	-	-	217,464
Volunteer resources and recognition	8,195	-	-	8,195	-	910	-	9,105
Other	1,500	933	-	2,433	78,778	98,424	37,102	216,737
Total Expenses	\$ 4,192,436	\$ 789,736	\$ 83,802	\$ 5,065,974	\$ 766,048	\$ 1,172,406	\$ 316,600	\$ 7,321,028

Ronald McDonald House Charities of Kansas City, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 2,847,261	\$ (980,658)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	1,100,955	1,032,009
Loss on disposal of property and equipment	52,650	-
Net realized and unrealized (gains) losses on investments	(963,796)	1,431,478
Contributions of property and equipment or contributions received restricted for acquisition of property and equipment	(392,417)	(1,204,815)
Changes in		
Contributions receivable	(304,974)	(192,325)
Beneficial interest in assets held by other	98,504	-
Accounts receivables and other assets	(118,091)	(57,930)
Employee retention credit receivable	(508,954)	-
Accounts payable and accrued liabilities	(12,918)	(23,854)
Deferred revenue	-	(22,306)
	<u>1,798,220</u>	<u>(18,401)</u>
Investing Activities		
Purchase of property and equipment	(740,308)	(654,421)
Purchase of investments	(36,840)	(240,068)
	<u>(777,148)</u>	<u>(894,489)</u>
Financing Activities		
Proceeds from contributions restricted for acquisition of property and equipment	92,417	1,043,331
	<u>92,417</u>	<u>1,043,331</u>
Increase in Cash, Cash Equivalents and Restricted Cash	1,113,489	130,441
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>2,280,175</u>	<u>2,149,734</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 3,393,664</u>	<u>\$ 2,280,175</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 930,655	\$ 1,593,654
Restricted cash	2,463,009	686,521
Cash, Cash Equivalents and Restricted Cash	<u>\$ 3,393,664</u>	<u>\$ 2,280,175</u>
Supplemental Cash Flows Information		
Property and equipment acquired through noncash contributions	\$ 300,000	\$ 36,603
Property and equipment purchases in accounts payable and accrued liabilities	-	20,407

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Ronald McDonald House Charities of Kansas City, Inc. (the “Organization”) is a Missouri not-for-profit organization formed in 1979 that operates three Kansas City Ronald McDonald Houses and two Family Rooms, which provides temporary housing for the families of seriously ill children while the children are receiving treatment at local hospitals. The mission of Ronald McDonald House Charities – Kansas City is to reduce the burden of childhood illness on children and their families.

We fulfill our mission 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, operated by the Organization, represent the core functions of Ronald McDonald House Charities.

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 programs located in Kansas City, Missouri 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 Rooms

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 in Children’s Mercy and Overland Park Regional serves 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.

The Organization’s revenues and other support are derived principally from contributions and Organization-sponsored fundraising events.

Basis of Presentation

The financial statements of the Organization 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.

Ronald McDonald House Charities of Kansas City, Inc.
Notes to Financial Statements
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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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

Amounts included in restricted cash are donor contributions received and restricted for a particular purpose.

At December 31, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$1,788,000.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive. Management provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. 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. Changes in the valuation allowance have not been material to the financial statements.

Beneficial Interest in Assets Held by Other

The Organization is a beneficiary of a \$250,000 contribution made to and held by an unrelated not-for-profit organization. The funds are restricted to support Ronald McDonald Family Room and may be utilized at any time. The unspent contribution was \$38,809 and \$137,313 at December 31, 2023 and 2022, respectively.

Investments and Net Investment Return

The Organization measures securities at fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Ronald McDonald House Charities of Kansas City, Inc.
Notes to Financial Statements
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Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	10 to 15 years
Contributed fixed assets	50 years
Vans and autos	5 years
Furniture, fixtures and equipment	5 years
Donation box equipment	5 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to eligible employers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits.

During 2023, the Organization applied for the ERC through the Internal Revenue Service and accounts for the ERC as a government grant under ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. The Organization determined it incurred qualifying wages and has recognized approximately \$509,000 associated with the ERC as grant income in the 2023 statement of activities and a corresponding receivable in the 2023 statement of financial position. Laws and regulations concerning the ERC are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact this would have on the Organization.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, which was \$1,144,577 and \$1,010,591 and net assets for projects, which was \$62,984 and

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

\$101,311 as of December 31, 2023 and 2022, respectively. Net assets with donor restrictions are 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.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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 probate court and the proceeds are measurable.

Approximately 23% and 27% of all revenue from contributions, special events and external fundraising events were received from two donors in 2023 and 2022, respectively.

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Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Fundraising Events Revenue

The portion of the fundraising events 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. The transaction price is determined based on the cost of benefits provided to donors, which was \$518,125 and \$316,600 for the years ended December 31, 2023 and 2022, respectively. All revenue is recognized as of the point in time the event is held and benefits are provided to the donor, which is when the performance obligations are met. The portion of fundraising events revenue considered to be a contribution is recognized in accordance with the Organization's contribution revenue policies.

Medicaid Revenue

Medicaid revenue represents fees for services and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from third-party insurers. Revenue is recognized as the performance obligation is satisfied, which is over time as services are provided as the customer simultaneously receives and consumes the benefit. The Organization determines the transaction price based on standard charges for services provided. These contracts are generally short-term in nature and revenue is recognized based on the number of nights stayed. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the outputs needed to satisfy the obligation. Insurers are generally invoiced the month following the service. Medicaid revenue for the years ended December 31, 2023 and 2022 was \$724,285 and \$490,625, respectively.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$89,074 and \$79,334 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Organization 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 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) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization 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.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, cost of direct benefits to donors, management and general and fundraising categories based on time expended, usage and other methods.

Subsequent Events

Subsequent events have been evaluated through October 11, 2024, which is the date the financial statements were available to be issued.

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Note 2. Contributions Receivable

Contributions receivable at December 31 consisted of the following unconditional promises to give discounted at a rate of 5%:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 1,620,892	\$ 1,293,326
Due in one to five years	30,000	117,230
	<u>1,650,892</u>	<u>1,410,556</u>
Less		
Allowance for uncollectible contributions	(2,750)	(2,750)
Unamortized discount	<u>(3,437)</u>	<u>(68,075)</u>
	<u>\$ 1,644,705</u>	<u>\$ 1,339,731</u>

Approximately 92% and 63% of contributions receivable was due from three donors and one donor as of December 31, 2023 and 2022, respectively.

Note 3. Fair Value Measurements and Disclosures

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	<u>Total</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
			<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2023					
Money market funds	\$ 1,144,827	\$ 1,144,827	\$ 1,144,827	\$ -	\$ -
Bond mutual funds	1,680,256	1,680,256	1,680,256	-	-
Equity mutual funds	<u>4,254,195</u>	<u>4,254,195</u>	<u>4,254,195</u>	<u>-</u>	<u>-</u>
Total at fair value	<u>7,079,278</u>	<u>7,079,278</u>	<u>7,079,278</u>	<u>-</u>	<u>-</u>
Certificate of deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 7,104,278</u>	<u>\$ 7,079,278</u>	<u>\$ 7,079,278</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2022					
Money market funds	\$ 1,107,680	\$ 1,107,680	\$ 1,107,680	\$ -	\$ -
Bond mutual funds	1,372,139	1,372,139	1,372,139	-	-
Equity mutual funds	<u>3,598,823</u>	<u>3,598,823</u>	<u>3,598,823</u>	<u>-</u>	<u>-</u>
Total at fair value	<u>6,078,642</u>	<u>6,078,642</u>	<u>6,078,642</u>	<u>-</u>	<u>-</u>
Certificate of deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 6,103,642</u>	<u>\$ 6,078,642</u>	<u>\$ 6,078,642</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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Note 4. Property and Equipment

Property and equipment at December 31 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land and parking lot	\$ 3,069,663	\$ 3,032,147
Buildings and improvements	8,044,550	8,026,736
Vans and autos	20,919	20,919
Furniture and equipment	2,399,093	2,121,779
Family Room	663,494	1,078,819
Construction in progress	142,250	13,848
	<u>14,339,969</u>	<u>14,294,248</u>
Contributed fixed assets		
Building and land	11,728,726	11,428,726
Building improvements	1,981,470	1,848,336
	<u>13,710,196</u>	<u>13,277,062</u>
Less discount	<u>(3,779,877)</u>	<u>(3,903,808)</u>
Total contributed fixed assets	9,930,319	9,373,254
Less accumulated depreciation	<u>(12,263,946)</u>	<u>(11,527,456)</u>
	<u>\$ 12,006,342</u>	<u>\$ 12,140,046</u>

Note 5. Line of Credit

During 2023 and 2022, the Organization had a \$750,000 revolving bank line of credit due on demand with a maturity date of August 1, 2023. The line of credit was not renewed upon maturity in 2023. At December 31, 2022, there were no borrowings against this line. Interest on the revolving line of credit was payable monthly at the bank prime rate (7.50% at December 31, 2022).

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Note 6. Contributed Nonfinancial Assets

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Contributed leases	\$ 317,182	\$ 312,621
Contributed land	300,000	-
Auction/raffle items	10,943	40,272
Food and household goods	152,287	220,879
Services	102,423	88,998
	<u>\$ 882,835</u>	<u>\$ 662,770</u>

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed Leases

The contributed leases will be used for program activities and include the following:

Bernstein Lease – A 99-year land lease through 2085 for an annual payment of \$10 with Children’s Mercy Hospital where the Bernstein House has been constructed. As this is a long-term promise, it is considered to be restricted as to time for the continued use of the property over the life of the contributed lease. In 2023, Children’s Mercy Hospital terminated the lease and donated the land to the Organization.

Longfellow House – A 20-year lease, with three 10-year renewal options, for an annual payment of \$1 with the City of Kansas City, Missouri that includes the land and Longfellow House. As this is a long-term promise, it is considered to be restricted as to time for the continued use of the property over the life of the contributed lease.

Children’s Mercy Family Room – A cancellable five-year lease of space within Children’s Mercy Hospital, with additional one-year automatic renewal options. This lease is cancellable by either party with proper notice. As the space is provided specifically for the Family Room program and specific to Children’s Mercy patients and families, the use of the space is considered restricted.

Overland Park Family Room – A cancellable five-year lease of space within Overland Park Regional Hospital, with additional one-year automatic renewal options. This lease is cancellable by either party with proper notice. As the space is provided specifically for the Family Room program and specific to Overland Park Regional Hospital patients and families, the use of the space is considered restricted.

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Other Contributed Items

Other contributed items were utilized in the following programs:

Contributed Items	Programs
Auction/raffle items	Fundraising
Food and household goods	Ronald McDonald Houses and Family Rooms
Services	Fundraising, Ronald McDonald Houses and Family Rooms

The following basis was used for valuing contributed items:

Contributed Items	Valuation Basis
Contributed leases	The Organization estimated the fair value on the basis of comparable lease terms at the date of inception
Auction and raffle items	The Organization estimated the fair value on the basis of estimates of retail price values that would be received for selling similar products in the United States
Food and household goods	The Organization estimated the fair value on the basis of estimates of retail or wholesale values that would be received for selling similar products in the United States
Services	The Organization estimated the fair value based on current rates for similar services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. Contributed goods and services not subject to objective measurement or valuation are not reflected in the financial statements.

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Note 7. Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purpose or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Other projects	\$ 3,175	\$ 84,884
Beneficial interests in assets held by another for		
Family Room	38,808	137,313
Overland Park Family Room	558,223	671,418
CMH Family Room Expansion	2,304,525	-
	<u>2,904,731</u>	<u>893,615</u>
Subject to the passage of time		
Long-term contributed use of facilities	2,607,432	2,692,922
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>1,373,647</u>	<u>1,290,928</u>
	<u>3,981,079</u>	<u>3,983,850</u>
Endowments		
Endowment, subject to spending policy and appropriation		
General use	<u>1,371,855</u>	<u>1,201,672</u>
Total endowments	<u>1,371,855</u>	<u>1,201,672</u>
Total net assets with donor restrictions	<u>\$ 8,257,665</u>	<u>\$ 6,079,137</u>

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
Satisfaction or purpose restrictions		
Other projects	\$ 14,140	\$ 41,729
Overland Park Family Room	198,674	726,557
CMH Family Room	17,711	-
Bernstein Basement	59,500	100,000
Trent Green Workout Room	47,690	-
Expiration of time restrictions	<u>2,115,140</u>	<u>2,359,182</u>
	<u>\$ 2,452,855</u>	<u>\$ 3,227,468</u>

Note 8. Endowment

The Organization's endowment consists of one donor-restricted fund established in the amount of \$1,000,000, to be held in perpetuity in order to provide supplemental income for the operating expenses at the Ronald McDonald House. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body is subject to the State of Missouri *Uniform Prudent Management of Institutional Funds Act* as adopted by the state of Missouri (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The governing body of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

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The composition of endowment net assets at December 31, 2023 and 2022 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2023			
Board Designated endowment funds	\$ 172,544	\$ -	\$ 172,544
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	1,000,000	1,000,000
Accumulated investment gains	-	371,855	371,855
	<u> -</u>	<u> 371,855</u>	<u> 371,855</u>
Total endowment funds	<u>\$ 172,544</u>	<u>\$ 1,371,855</u>	<u>\$ 1,544,399</u>
December 31, 2022			
Board Designated endowment funds	\$ 129,596	\$ -	\$ 129,596
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	1,000,000	1,000,000
Accumulated investment gains	-	201,672	201,672
	<u> -</u>	<u> 201,672</u>	<u> 201,672</u>
Total endowment funds	<u>\$ 129,596</u>	<u>\$ 1,201,672</u>	<u>\$ 1,331,268</u>

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2022	\$ 664,684	\$ 1,593,393	\$ 2,258,077
Net investment return (loss)	39,912	(391,721)	(351,809)
Distribution of board designation of expenditures	<u>(575,000)</u>	<u>-</u>	<u>(575,000)</u>
Endowment net assets, December 31, 2022	129,596	1,201,672	1,331,268
Net investment return	<u>42,948</u>	<u>170,183</u>	<u>213,131</u>
Endowment net assets, December 31, 2023	<u>\$ 172,544</u>	<u>\$ 1,371,855</u>	<u>\$ 1,544,399</u>

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. The Organization did not have any deficiencies of this nature, which in accordance with GAAP would be reported in net assets with donor restrictions, at December 31, 2023 and 2022.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include assets of donor-restricted endowment funds the Organization must hold in perpetuity.

Under the Organization’s policies, the primary investment goal is long-term asset growth with the generation of investment income a secondary goal. The Organization’s investment policy details other guidelines for investment assets. The Organization expects its endowment funds to provide returns over a rolling three-year period, which will be reasonably consistent with those from a comparably positioned “unmanaged” fund consisting of equity, fixed income and cash indices, as applicable. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

The Organization follows the donor’s stipulation in regard to this endowment, which requires the original gift to be held in perpetuity and the income earned to be used for operating expenses. The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 7% of the endowment fund’s average fair value over the prior three years as long as the funds exceed a value of 1.5 times the original gift. This policy does not restrict the board from approving expenditure from the endowment when the fund is valued at less than 1.5 times the original gift, but gives guidance as to the treatment when the endowment has experienced tremendous growth. No distribution will be appropriated should the fair market value fall below the original gift value.

Note 9. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 930,655	\$ 1,593,654
Accounts receivables	762,451	73,991
Contributions receivable	1,618,142	1,290,576
Appropriations from investments	<u>244,996</u>	<u>235,618</u>
	<u>\$ 3,556,244</u>	<u>\$ 3,193,839</u>

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$1,450,000 and \$1,520,000 December 31, 2023 and 2022, respectively.

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In addition, the Organization maintains an investment portfolio that allows for annual spending of up to 5% of the 3-year average balance as of December 31 of the three preceding years of the Spendable Investments (Operating Reserve, Long-Term Portfolio and any spendable portion of the Endowment Portfolio). Up to \$244,002 and \$235,618 of appropriations from the investment portfolio will be available within the next 12 months as of December 31, 2023 and 2022, respectively.

Note 10. Retirement Plan

The Organization has a defined contribution pension plan covering substantially all employees. Regularly scheduled employees are eligible to participate in the plan after reaching age 21 and completing six months of eligible service. For both 2023 and 2022, the Organization contributed the 5% required of eligible compensation and also matched 50% of the employees' contributions up to 4% of eligible compensation. The Organization's retirement expense amounted to \$166,576 and \$166,551 for the years ended 2023 and 2022, respectively.

Note 11. Related Party

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, 2023 and 2022, the Organization received \$461,722 and \$545,082, respectively, from these revenue streams.