

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

With Comparative Totals for the Year Ended December 31, 2022



RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Norfolk, Virginia

Opinion

We have audited the accompanying financial statement of Ronald McDonald House Charities of Norfolk, Virginia, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Norfolk, Virginia, Inc. as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Norfolk, Virginia, Inc. and to meet our other ethical standards in accordance with the relevant ethical requirements relating to our audit. We believe 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 Norfolk, Virginia, 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 Norfolk, Virginia, 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 audit.

Responsibilities of Management for the Financial Statements

We have previously audited Ronald McDonald House Charities of Norfolk, Virginia, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, VA
August 27, 2024

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

ASSETS		
	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 177,346	\$ 156,292
Accounts Receivable, Net	75,501	25,565
Prepaid Expenses	9,745	7,222
Total Current Assets	<u>\$ 262,592</u>	<u>\$ 189,079</u>
NONCURRENT ASSETS		
Property and Equipment, Net	\$ 779,724	\$ 813,055
Investments	5,818,064	5,107,982
Total Noncurrent Assets	<u>\$ 6,597,788</u>	<u>\$ 5,921,037</u>
Total Assets	<u><u>\$ 6,860,380</u></u>	<u><u>\$ 6,110,116</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 9,406	\$ 5,807
Payroll Liabilities	6,523	2,923
Total Current Liabilities	<u>\$ 15,929</u>	<u>\$ 8,730</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	\$ 6,215,221	\$ 5,493,156
Board-Designated Reserve	115,480	94,480
Board-Designated Endowment	513,750	513,750
Total Net Assets	<u>\$ 6,844,451</u>	<u>\$ 6,101,386</u>
Total Liabilities and Net Assets	<u><u>\$ 6,860,380</u></u>	<u><u>\$ 6,110,116</u></u>

See independent auditor's report and accompanying notes to the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 532,877	\$ -	\$ 532,877	\$ 314,144
Special Events Revenue	114,163	-	114,163	188,982
In-Kind Contributions	46,775	-	46,775	16,815
Guest Family Donations	3,511	-	3,511	3,693
Other Income	2,146	-	2,146	3,436
Total Revenues and Other Support	<u>\$ 699,472</u>	<u>\$ -</u>	<u>\$ 699,472</u>	<u>\$ 527,070</u>
EXPENSES				
Program Services	\$ 569,519	\$ -	\$ 569,519	\$ 522,093
Management and General Administration	34,994	-	34,994	28,562
Fundraising	161,990	-	161,990	115,391
Total Expenses	<u>\$ 766,503</u>	<u>\$ -</u>	<u>\$ 766,503</u>	<u>\$ 666,046</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ (67,031)	\$ -	\$ (67,031)	\$ (138,976)
INVESTMENT INCOME, NET	810,096	-	810,096	(690,029)
CHANGE IN NET ASSETS	\$ 743,065	\$ -	\$ 743,065	\$ (829,005)
NET ASSETS - BEGINNING OF YEAR	6,101,386	-	6,101,386	6,930,391
NET ASSETS - END OF YEAR	<u>\$ 6,844,451</u>	<u>\$ -</u>	<u>\$ 6,844,451</u>	<u>\$ 6,101,386</u>

See independent auditor's report and accompanying notes to the financial statement.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Activities			
	Ronald McDonald House	Management and General	Fundraising	Support Total	Total
Salaries	\$ 212,977	\$ 21,298	\$ 69,978	\$ 91,276	\$ 304,253
Payroll Taxes	19,626	935	2,804	3,739	23,365
Employee Benefits	13,174	627	1,882	2,509	15,683
Total Salaries and Related Expenses	\$ 245,777	\$ 22,860	\$ 74,664	\$ 97,524	\$ 343,301
Advertising	5,948	-	-	-	5,948
Bank Charges	4,901	-	-	-	4,901
Cleaning Services and Supplies	50,601	-	-	-	50,601
Conference and Education	1,830	-	-	-	1,830
Depreciation	60,317	1,231	-	1,231	61,548
Direct Mail	-	-	42,208	42,208	42,208
Dues	340	-	-	-	340
Family Support Services and Supplies	99,139	-	-	-	99,139
Insurance	33,423	682	-	682	34,105
Office Expense	8,391	350	-	350	8,741
Postage	-	-	1,288	1,288	1,288
Professional Fees	-	8,500	-	8,500	8,500
Repairs and Maintenance	23,465	479	-	479	23,944
Special Event Expenses	-	-	41,717	41,717	41,717
Taxes and License	250	-	-	-	250
Technology	9,191	443	1,439	1,882	11,073
Travel and Entertainment	4,610	-	-	-	4,610
Utilities and Telephone	21,336	449	674	1,123	22,459
Total Expenses	\$ 569,519	\$ 34,994	\$ 161,990	\$ 196,984	\$ 766,503

See independent auditor's report and accompanying notes to the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Activities			
	Ronald McDonald House	Management and General	Fundraising	Support Total	Total
Salaries	\$ 173,406	\$ 17,341	\$ 56,976	\$ 74,317	\$ 247,723
Payroll Taxes	14,099	671	2,014	2,685	16,784
Employee Benefits	13,094	624	1,871	2,495	15,589
Total Salaries and Related Expenses	\$ 200,599	\$ 18,636	\$ 60,861	\$ 79,497	\$ 280,096
Advertising	8,800	-	-	-	8,800
Bank Charges	4,666	-	-	-	4,666
Cleaning Services and Supplies	44,226	-	-	-	44,226
Conference and Education	2,500	-	-	-	2,500
Depreciation	57,609	1,088	-	1,088	58,697
Direct Mail	-	-	11,085	11,085	11,085
Dues	1,420	-	-	-	1,420
Family Support Services and Supplies	112,523	-	-	-	112,523
Insurance	40,340	823	-	823	41,163
Miscellaneous	-	-	-	-	-
Office Expense	3,565	149	-	149	3,714
Postage	-	-	529	529	529
Professional Fees	-	6,750	-	6,750	6,750
Repairs and Maintenance	19,420	396	-	396	19,816
Special Event Expenses	-	-	41,170	41,170	41,170
Taxes and License	250	-	-	-	250
Technology	7,895	380	1,236	1,616	9,511
Travel and Entertainment	2,146	-	-	-	2,146
Utilities and Telephone	16,134	340	510	850	16,984
Total Expenses	<u>\$ 522,093</u>	<u>\$ 28,562</u>	<u>\$ 115,391</u>	<u>\$ 143,953</u>	<u>\$ 666,046</u>

See independent auditor's report and accompanying notes to the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 743,065	\$ (829,005)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	61,548	58,697
Net Realized and Unrealized (Gains) Losses on Investments	(581,027)	847,374
(Increase) Decrease in Assets:		
Accounts Receivable	(49,936)	(1,881)
Prepaid Expenses	(2,523)	(652)
Increase (Decrease) in Liabilities:		
Accounts Payable	3,599	(4,602)
Payroll Liabilities	3,600	62
Deferred Revenue	-	(22,500)
Net Cash Provided by Operating Activities	<u>\$ 178,326</u>	<u>\$ 47,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments and Reinvestment of Income	\$ (157,272)	\$ (57,332)
Purchases of Property and Equipment	-	(94,576)
Net Cash Used by Investing Activities	<u>\$ (157,272)</u>	<u>\$ (151,908)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 21,054	\$ (104,415)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>156,292</u>	<u>260,707</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 177,346</u></u>	<u><u>\$ 156,292</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Fair value of donated goods and services	<u><u>\$ 46,775</u></u>	<u><u>\$ 16,815</u></u>

See independent auditor's report and accompanying notes to the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

NOTE 1 - ORGANIZATION:

The Ronald McDonald House Charities of Norfolk, Virginia, Inc. (the Organization), is a Virginia nonprofit charitable corporation formed in 1981. The organization provides temporary housing and other assistance for critically and seriously ill children and their families during periods when the children are undergoing treatment at Children's Hospital of the King's Daughters, Norfolk, Virginia. The Organization also raises funds to provide grants to other organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accrual basis of accounting recognizes income when earned and expenses when incurred.

Basis of presentation

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups with donor restrictions and without donor restrictions.

These two groups are defined as follows:

- 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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The Organization follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC).

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for doubtful accounts by evaluating individual receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Accounts receivable are written off when deemed to be uncollectible. Recoveries of accounts receivable previously written off are recorded when received. There is no allowance recorded as of December 31, 2023 and 2022.

See independent auditor's report. Notes continued on next page.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

With Comparative Totals for the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

The Organization receives grants from government and various organizations that are designated for future periods or restricted by the donor for specific purposes. Such grants are reported as restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the grant is received, the Organization reports that support as unrestricted.

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Property and equipment

Property and equipment are recorded at cost and depreciation is calculated using the Modified Accelerated Cost Recovery System and straight-line methods based over the useful lives ranging from 5 to 39 years. Additions or betterments of \$500 or more are capitalized, while repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed currently.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reserve for replacements

The Organization is accumulating funds in the reserve for replacements based on estimates of future needs for repairs and replacements of property. The funding for such repairs and replacements is over the estimated useful lives based on current replacement costs. Actual expenditures, however, may vary from the estimated amounts and variations may be material. The funds are designated by the board for replacements amounted to \$115,480 and \$94,480 for the years ended December 31, 2023 and 2022, respectively.

See independent auditor's report. Notes continued on next page.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

With Comparative Totals for the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and as a public charity under 509(a) of the code.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023.

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2023, 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of credit risk

The Organization places its cash on deposit with financial institutions in the United States. All of a depositor's accounts at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2023 and 2022, the Organization had demand deposits on hand in financial institutions which exceeded depositor's insurance provided by the applicable guaranty agency of \$0

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and accounts receivable. The Organization places its cash with high credit quality depositories, and its accounts receivable are due from organizations primarily located within the Organization's geographic area.

Advertising

The costs of advertising are generally expensed in the year in which the advertising first takes place. Advertising costs were \$5,948 and \$8,800 for the years ended December 31, 2023 and 2022, respectively.

Revenue recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Program services revenue is recognized at the point in time that events take place or services are rendered.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

With Comparative Totals for the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional allocation of expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and Payroll Taxes	Time and effort
Employee Benefits	Time and effort
Depreciation	Square footage
Insurance	Reasonable basis consistently applied
Office Expense	Reasonable basis consistently applied
Repairs and Maintenance	Reasonable basis consistently applied
Technology	Reasonable basis consistently applied
Utilities and Telephone	Reasonable basis consistently applied

Fair value measurement

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

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

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

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

Fair values for Level 1 investments are determined by reference to quoted prices and other relevant information generated by market transactions. Fair values for Level 2 investments are determined by reference to quoted prices for similar assets or liabilities in active markets. Fair values for Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair values due to the short-term maturities of those investments. There have been no changes in valuation techniques and related inputs.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

With Comparative Totals for the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on changes in net assets previously reported.

NOTE 3 - EMPLOYEE BENEFIT PLANS:

In 1993, the organization started a SAR-SEP plan covering substantially all employees. Under the plan, the Organization annually contributes seven percent of employees' gross pay. Plan expenses incurred were \$15,683 and \$15,589 for the years ended December 31, 2023 and 2022, respectively.

NOTE 4 - DONATED GOODS AND SERVICES:

The Organization receives various forms of gift-in-kind (GIK) including food and non-food items such as clothing, supplies and other household goods. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their conditions and utility for use at the time the goods are contributed by the donor. Donated GIK are not sold and goods are only distributed for program use.

The Organization receives donations of time and services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. However, donated services are recorded in the financial statements only to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed.

The fair value of donated goods and services included as contributions in the financial statements and corresponding expense categories for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Professional fees	\$ 4,125	\$ 3,375
Property and equipment	28,216	-
Service contracts	9,996	9,996
Utilities	3,444	3,444
Supplies	994	-
	<u>\$ 46,775</u>	<u>\$ 16,815</u>

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

With Comparative Totals for the Year Ended December 31, 2022

NOTE 5 - LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, are comprised of:

Financial assets at year end:	2023	2022
Cash and cash equivalents	\$ 177,346	\$ 156,292
Accounts receivable	75,501	25,565
Investments	5,818,064	5,107,982
Total financial assets	\$ 6,070,911	\$ 5,289,839
Less amounts not available to be used for general expenditures:		
Board-designated assets	(629,230)	(608,230)
Financial assets available to meet general expenditures within one year	<u>\$ 5,441,681</u>	<u>\$ 4,681,609</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment consist of:	2023	2022
Land	\$ 80,461	\$ 80,461
Buildings	1,207,805	1,207,805
Improvements	507,891	507,891
Furniture and fixtures	200,713	172,497
Equipment	67,235	67,235
Parking lot	21,129	21,129
	<u>\$ 2,085,234</u>	<u>\$ 2,057,018</u>
Less accumulated depreciation	(1,305,510)	(1,243,963)
Total property and equipment	<u>\$ 779,724</u>	<u>\$ 813,055</u>

Depreciation expense totaled \$61,548 and \$58,697 for the years ending December 31, 2023 and 2022.

NOTE 7 - INVESTMENTS:

Investments measured at fair value on a recurring basis using observable inputs (Level 1) and are summarized as follows:

	2023	2022
Equities	\$ 622,671	\$ 1,209,738
Cash and cash equivalents	466,011	275,908
Mutual fund	4,521,463	3,420,469
Fixed income securities	207,919	201,867
	<u>\$ 5,818,064</u>	<u>\$ 5,107,982</u>

See independent auditor's report. Notes continued on next page.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

With Comparative Totals for the Year Ended December 31, 2022

NOTE 8 - INVESTMENTS (Continued):

Investment income consists of:

	2023	2022
Interest and dividend income	\$ 136,700	\$ 103,234
Capital gains	92,369	54,110
Realized and unrealized gains (losses), net	581,027	(847,373)
	<u>\$ 810,096</u>	<u>\$ (690,029)</u>

NOTE 9 - ENDOWMENT FUNDS:

The Organization's endowment consists of restricted assets of 10,000 shares of McDonalds Corporation stocks donated in 1993 by Mrs. Kroc and recorded at its fair value at date of contribution.

Absent explicit donor stipulations to the contrary, the Board of Directors 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 the gift date of the donor-restricted endowment funds. As a result of the interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment (b) the original value of the subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1 The duration and preservation of the fund
- 2 The purpose of the Organization and the donor-restricted endowment fund
- 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 resources of the Organization
- 7 The investment policies of the Organization

Changes in endowment net assets and type of fund were as follows for fiscal year end as of December 31, 2023 and 2022:

	2023	2022
Endowment net assets, beginning of year	\$ 513,750	\$ 513,750
Investment return, net	81,476	15,824
Appropriation of expenditure	(81,476)	(15,824)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ 513,750</u>

Investment Return Objectives, Risk Parameters and Strategies.

The Organization has adopted an investment policy for the endowment assets that attempt to provide stream of funding to the programs supported by the endowments. The endowment assets are in the form of the original stock donated to the Organization. The investment return in the form of earning and dividends are unrestricted for use of the Ronald McDonald House Charities of Norfolk, Virginia, Inc. operations.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

NOTE 10 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through August 27, 2024, which is the date the financial statements were available to be issued. No events have occurred subsequent to the statements of financial position date and through August 27, 2024, that would require adjustment to, or disclosure in, the financial statements.