

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

With Comparative Totals for the Year Ended December 31, 2023



RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Ronald McDonald House Charities of Norfolk Virginia, Inc.

Norfolk, Virginia

We have audited the accompanying financial statements of Ronald McDonald House Charities of Norfolk Virginia, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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, 2024, and the changes in its 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 responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Ronald McDonald House Charities of Norfolk Virginia, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 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.

Report on Summarized Comparative Information

We have previously audited Ronald McDonald House Charities of Norfolk Virginia, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, Virginia

September 10, 2025

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

With Comparative Totals for the Year ended December 31, 2023

ASSETS		2024	2023
		<u> </u>	<u> </u>
CURRENT ASSETS:			
Cash and Cash Equivalents	\$	162,300	\$ 177,346
Accounts Receivable, Net		53,116	75,501
Prepaid Expenses		9,252	9,745
Total Current Assets	\$	<u>224,668</u>	<u>\$ 262,592</u>
NONCURRENT ASSETS:			
Investments	\$	6,290,135	\$ 5,818,064
Property and Equipment, Net		883,667	779,724
Total Noncurrent Assets	\$	<u>7,173,802</u>	<u>\$ 6,597,788</u>
Total Assets	\$	<u><u>7,398,470</u></u>	<u><u>\$ 6,860,380</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Expenses	\$	69,110	\$ 9,406
Payroll Liabilities		-	6,523
Total Current Liabilities	\$	<u>69,110</u>	<u>\$ 15,929</u>
NET ASSETS:			
Without Donor Restrictions	\$	6,625,427	\$ 6,160,087
Board-Designated Reserve		190,183	170,614
Board-Designated Endowment		513,750	513,750
Total Net Assets		<u>7,329,360</u>	<u>6,844,451</u>
Total Liabilities and Net Assets	\$	<u><u>7,398,470</u></u>	<u><u>\$ 6,860,380</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, 2024
With Comparative Totals for the Year Ended December 31, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUE AND OTHER SUPPORT:				
Contributions	\$ 671,543	\$ -	\$ 671,543	\$ 532,877
In-kind Contributions	20,492	-	20,492	46,775
Special Events Revenue	92,922	-	92,922	114,163
Guest Family Donations	6,232	-	6,232	3,511
Other Income	877	-	877	2,146
Total Operating Revenue and Other Support	<u>\$ 792,066</u>	<u>\$ -</u>	<u>\$ 792,066</u>	<u>\$ 699,472</u>
OPERATING EXPENSES:				
Program Services	\$ 731,010	\$ -	\$ 731,010	\$ 599,433
Management and General Administration	29,190	-	29,190	39,221
Fundraising	184,053	-	184,053	127,849
Total Operating Expenses	<u>\$ 944,253</u>	<u>\$ -</u>	<u>\$ 944,253</u>	<u>\$ 766,503</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ (152,187)	\$ -	\$ (152,187)	\$ (67,031)
NONOPERATING ACTIVITIES:				
Investment Income, Net	<u>637,096</u>	<u>-</u>	<u>637,096</u>	<u>810,096</u>
CHANGE IN NET ASSETS	\$ 484,909	\$ -	\$ 484,909	\$ 743,065
NET ASSETS - BEGINNING OF THE YEAR	<u>6,844,451</u>	<u>-</u>	<u>6,844,451</u>	<u>6,101,386</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,329,360</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,329,360</u></u>	<u><u>\$ 6,844,451</u></u>

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, 2024

	Ronald McDonald House	Supporting Activities			2024 Total
		Management and General	Fundraising	Support Total	
Salaries	\$ 307,641	\$ 1,027	\$ 37,554	\$ 38,581	\$ 346,222
Employee Benefits	23,121	296	6,225	6,521	29,642
Payroll Taxes	20,562	264	5,536	5,800	26,362
Total Salaries and Related Expenses	\$ 351,324	\$ 1,587	\$ 49,315	\$ 50,902	\$ 402,226
Advertising	6,075	-	-	-	6,075
Bank charges	5,894	-	-	-	5,894
Cleaning services and supplies	55,226	-	-	-	55,226
Conference and education	1,649	21	444	465	2,114
Depreciation	62,268	1,271	-	1,271	63,539
Direct mail	-	-	112,023	112,023	112,023
Donor recognition	-	-	3,706	3,706	3,706
Dues	870	-	-	-	870
Family support services and supplies	31,824	-	-	-	31,824
Insurance	17,895	365	-	365	18,260
Miscellaneous	440	-	-	-	440
Office expense	6,856	84	1,749	1,833	8,689
Postage	-	-	777	777	777
Professional Fees	-	10,597	-	10,597	10,597
Repairs and maintenance	30,053	597	-	597	30,650
Security	65,235	-	-	-	65,235
Service contracts	20,657	-	-	-	20,657
Special Event expenses	26,871	13,435	13,435	26,870	53,741
Taxes and licenses	300	-	-	-	300
Technology	11,638	767	384	1,151	12,789
Travel and entertainment	13,804	-	-	-	13,804
Utilities and telephone	22,131	466	699	1,165	23,296
Volunteer Resources	-	-	1,521	1,521	1,521
Total Expenses	\$ 731,010	\$ 29,190	\$ 184,053	\$ 213,243	\$ 944,253

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, 2023

	Ronald McDonald House	Supporting Activities			2023 Total
		Management and General	Fundraising	Support Total	
Salaries	\$ 242,891	\$ 25,525	\$ 35,837	\$ 61,362	\$ 304,253
Employee Benefits	13,174	627	1,882	2,509	15,683
Payroll Taxes	19,626	935	2,804	3,739	23,365
Total Salaries and Related Expenses	\$ 275,691	\$ 27,087	\$ 40,523	\$ 67,610	\$ 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
Donor recognition	-	-	-	-	-
Dues	340	-	-	-	340
Family support services and supplies	24,241	-	-	-	24,241
Insurance	33,423	682	-	682	34,105
Miscellaneous	-	-	-	-	-
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
Security	58,486	-	-	-	58,486
Service Contracts	16,412	-	-	-	16,412
Special Event expenses	-	-	41,717	41,717	41,717
Taxes and licenses	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
Volunteer Resources	-	-	-	-	-
Total Expenses	<u>\$ 599,433</u>	<u>\$ 39,221</u>	<u>\$ 127,849</u>	<u>\$ 167,070</u>	<u>\$ 766,503</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, 2024
With Comparative Totals for the Year Ended December 31, 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 484,909	\$ 743,065
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	63,539	61,548
Net Realized and Unrealized (Gains) Losses on Investments	(357,071)	(581,027)
(Increase) Decrease in Assets:		
Accounts Receivable	22,385	(49,936)
Prepaid Expenses	493	(2,523)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	53,181	3,599
Net Cash Provided by Operating Activities	<u>\$ 267,436</u>	<u>\$ 178,326</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	\$ (321,015)	\$ (157,272)
Proceeds from Sale of Investments	206,015	-
Purchases of Property and Equipment	<u>(167,482)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>\$ (282,482)</u>	<u>\$ (157,272)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (15,046)	\$ 21,054
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	<u>177,346</u>	<u>156,292</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 162,300</u></u>	<u><u>\$ 177,346</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Fair value of donated goods and services	<u>\$ 20,492</u>	<u>\$ 46,775</u>

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

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Norfolk, Virginia, Inc. (the Organization) is a Virginia nonprofit charitable corporation formed in 1981. The mission of Ronald McDonald House Charities is to provide essential services that remove barriers, strengthen families, and promote healing when children need healthcare. Collectively, RMHC and the network of local Chapters ascribe to four core values: we lead with compassion, we are deeply respectful, we act with integrity, and we are firmly committed. 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 program(s) located in Norfolk, Virginia, 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.

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.

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.

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. 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.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Changes in the valuation allowance have not been material to the financial statements. The Organization has recorded an allowance for uncollectible receivables of \$0 as of December 31, 2024 and 2023, respectively.

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 and income are included in the statements of activities.

Estimates

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

The Organization maintains master investment accounts for its 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.

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 \$500 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:

Buildings and Improvements	20 - 40 Years
Furniture and fixtures	5 - 7 Years
Equipment	5 - 7 Years

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restricted contributions. 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. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

Revenue Recognition

Contributions and Grants

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

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Sponsorship Revenue

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

Special Event Revenue – Ticket Sales

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

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation which is allocated on a square footage basis; conference and education, insurance, office expense, repairs and maintenance, special events expenses, technology, and utilities and telephone which are allocated based on reasonable basis consistently applied; and salaries, payroll taxes and employee benefits, which are allocated on the basis of management's estimates of time and effort.

Income Tax Status

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.

Advertising

The cost of advertising are generally expensed in the year in which the advertising first takes place. Advertising costs were \$6,075 and \$5,948 for the years ended December 31, 2024 and 2023, respectively.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2023 to conform to the presentation for the year ended December 31, 2024. The reclassifications had no impact on previously reported net assets.

NOTE 2 FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 162,300	\$ 177,346
Accounts receivable	53,116	75,501
Investments	<u>6,290,135</u>	<u>5,818,064</u>
Total financial assets	\$6,505,551	\$ 6,070,911
Less amounts not available to be used for general expenditures within one year		
Board-designated assets	<u>(703,933)</u>	<u>(684,364)</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$5,801,618</u>	<u>\$ 5,386,547</u>

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

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 FINANCIAL ASSETS AND LIQUIDITY RESOURCES (CONTINUED)

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.

BOARD DESIGNATED ENDOWMENT

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board designated-endowment could be made available if necessary.

BOARD DESIGNATED OPERATING RESERVE

As part of the Organization's liquidity management, it invests cash in excess of daily requirement in short-term investments. Occasionally, the Board of Trustees designates a portion of any operating surplus to its operating reserve, which was \$190,183 and \$170,614 as of December 31, 2024 and 2023, respectively. There is an established board-designated fund where the governing Board of Trustees has objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE 3 FAIR VALUE MEASUREMENTS

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 quoted prices for identical assets or liabilities in active markets;

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

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

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets are measured on a recurring and basis as of December 31, 2024 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$5,332,753	\$ -	\$ -	\$5,332,753
Equity Securities:				
U.S. Corporate Equity Securities	608,769	-	-	\$608,769
Debt Securities:				
U.S. Treasury	3,292	-	-	\$3,292
Money Market:	345,321	-	-	\$345,321
Total Assets	\$6,290,135	\$ -	\$ -	\$6,290,135

The fair values of assets are measured on a recurring and basis as of December 31, 2023 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$4,521,463	\$ -	\$ -	\$4,521,463
Equity Securities:				
U.S. Corporate Equity Securities	622,671	-	-	\$622,671
Debt Securities:				
U.S. Treasury	207,919	-	-	\$207,919
Money Market:	466,011	-	-	\$466,011
Total Assets	\$5,818,064	\$ -	\$ -	\$5,818,064

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

RONALD MCDONALD HOUSE CHARITIES OF NORFOLK, VIRGINIA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The Organization reviewed and evaluated the values and assumptions used in determining the fair value of Level 3 financial instruments. 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 value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

Overall Investment Objective

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

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Interest and Dividend Income, Net	\$ 163,841	\$ 136,700
Capital gains	195,336	92,369
Realized and Unrealized Gains, Net	277,919	581,027
Investment Income, Net	<u>\$ 637,096</u>	<u>\$ 810,096</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2024 and 2023 is as follows.

	2024	2023
Land	\$ 80,461	\$ 80,461
Buildings and Improvements	1,819,461	1,736,825
Furniture and fixtures	200,704	200,713
Equipment	93,404	67,235
Total, at Cost	\$ 2,194,030	\$ 2,085,234
Accumulated Depreciation	(1,310,363)	(1,305,510)
Total Property and Equipment	<u>\$ 883,667</u>	<u>\$ 779,724</u>

Depreciation expense totaled \$63,539 and \$61,548 for the years ending December 31, 2024 and 2023.

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NOTE 5 ENDOWMENT FUNDS

The Organization's endowment includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

Absent explicit donor stipulations to the contrary, 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 funds. As a result of this 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 subsequent gifts to the endowment, and (c) accumulations 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 various funds
- (2) The purposes of the donor-restricted endowment funds
- (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 Organization's investment policies

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy – Board-designated endowment. The Organization has a policy of appropriating for distribution each year 5% of its board-designated endowment fund's average fair value of the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned.

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NOTE 5 ENDOWMENT FUNDS (CONTINUED)

Changes in board-designated endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2024:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	56,064		56,064
Appropriation of endowment asset for expenditure	(56,064)		(56,064)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 513,750</u>

Changes in board-designated endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2023:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	81,476		81,476
Appropriation of endowment asset for expenditure	(81,476)		(81,476)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 513,750</u>

Fund Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2024 and 2023.

NOTE 6 NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing Board of Trustees has designated net assets without donor restrictions for the following purposes as of December 31, 2024 and 2023 is as follows.

	2024	2023
Board-Designated Endowment	\$ 513,750	\$ 513,750
Board-Designated Reserve	190,183	170,614
Total	<u>\$ 703,933</u>	<u>\$ 684,364</u>

NOTE 7 CONTRIBUTED SERVICES

The Organization pays for most services requiring specific expertise. However, many individuals donate their time in performing a variety of tasks to assist the Organization's operations. 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. The donated hours and value of these contributed services have not been included in these financial statements, as they do not meet the criteria for recognition and were estimated for the years ended December 31, 2024 and 2023.

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NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the year ending December 31, 2024 and 2023 is as follows.

	<u>2024</u>	<u>2023</u>
Property and Equipment		
Furniture and Fixtures	\$ -	\$ 28,216
Expenses		
Family Support Supplies	6,095	994
Service contracts	6,772	9,996
Utilities	2,500	3,444
Professional Services	5,125	4,125
Total Contributed Nonfinancial Assets	<u>\$ 20,492</u>	<u>\$ 46,775</u>

* The organization recognized contributed nonfinancial assets within revenue, including property and equipment, family support supplies, service contracts, utilities, professional services.

* In valuing property and equipment, the Organization estimated fair value at the date of donation.

* In valuing family support services the Organization estimated the fair value on the basis of estimates of wholesale values that would be receives for selling similar products in the United States.

* Contributed 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 services recognized are comprised of professional services from attorneys advising the Organization on various administrative legal matters and from accountants providing accounting services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal and accounting services.

* Contributed food, household goods, and clothing were utilized in the following programs: Ronald McDonald House. 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 utilities, such as electricity, gas, internet and telephone are used for general and administrative, fundraising, and programmatic activities. They are valued based on current rates for similar utilities.

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.

NOTE 9 TAX-DEFERRED ANNUITY PLAN

The Organization has a SAR-SEP tax-deferred annuity plan . The plan covers substantially all employees of the Organization. The Organization contributes 7% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$14,833 and \$15,683 for the years ended December 31, 2024 and 2023, respectively.

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NOTE 10 TRANSACTIONS WITH RELATED ENTITIES

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered nonprofit charitable corporations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by 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. RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives a portion of net revenues from all McDonald’s national fundraising efforts facilitated by RMHC Global. The Organization may also receive other grants and in-kind support from RMHC Global. During the years ended December 31, 2024 and 2023, the Organization received \$30,012 and \$32,244, respectively, from these revenue streams.

NOTE 11 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 10, 2025, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.