



**Ronald McDonald
House Charities®**
Arkansas & North Louisiana

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

**Financial Statements
December 31, 2023 and 2022**

(With Independent Auditor's Report Thereon)

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.
Little Rock, Arkansas

We have audited the financial statements of **Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.** (the Organization), formerly known as Ronald McDonald House Charities of Arkansas, Inc., 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 for 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 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 audits.
- 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 audits 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 have identified during the audits.

The image shows a handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
September 11, 2024

Financial Statements

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Statements of Financial Position December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 4,932,549	\$ 2,678,407
Certificates of deposit	3,531,255	1,001,860
Contributions receivable, net	4,335,368	876,562
Endowment assets	1,239,625	2,008,519
Property and equipment, net	7,541,817	7,599,838
Prepaid expenses	18,297	16,293
Other assets	1,216	8,151
TOTAL ASSETS	\$ 21,600,127	\$ 14,189,630
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and contracts payable	\$ 53,850	\$ 39,078
Accrued payroll and related liabilities	52,146	35,283
Refundable advances	290,424	258,099
Total Liabilities	396,420	332,460
 Net Assets		
Without donor restrictions	11,969,080	11,234,795
With donor restrictions	9,234,627	2,622,375
Total Net Assets	21,203,707	13,857,170
TOTAL LIABILITIES AND NET ASSETS	\$ 21,600,127	\$ 14,189,630

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Statements of Activities Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue, Support, Gains (Losses) and Reclassifications		
Grant awards and contributions of financial assets	\$ 1,626,273	\$ 1,610,905
Contributions of nonfinancial assets	170,355	200,335
Special event revenue	1,285,503	1,213,452
Rental	27,956	13,120
Interest and dividends	167,637	14,114
Net change in value of endowment assets	181,028	(198,492)
Other income	-	696
	<u>3,458,752</u>	<u>2,854,130</u>
Net assets released from restrictions	<u>358,123</u>	<u>96,197</u>
Total Revenue, Support, Gains (Losses) and Reclassifications	<u>3,816,875</u>	<u>2,950,327</u>
Expenses		
Program services	2,222,174	1,715,711
General and administrative	170,409	212,606
Fundraising	378,463	425,036
Capital campaign	38,170	85,123
Cost of direct benefits to donors	<u>273,374</u>	<u>231,962</u>
Total Expenses	<u>3,082,590</u>	<u>2,670,438</u>
Increase in Net Assets without Donor Restrictions	<u>734,285</u>	<u>279,889</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of financial assets	6,659,746	1,819,677
Contributions of nonfinancial assets	310,629	-
Net assets released from restrictions	<u>(358,123)</u>	<u>(96,197)</u>
Increase in Net Assets with Donor Restrictions	<u>6,612,252</u>	<u>1,723,480</u>
INCREASE IN TOTAL NET ASSETS	7,346,537	2,003,369
NET ASSETS, BEGINNING OF YEAR	<u>13,857,170</u>	<u>11,853,801</u>
NET ASSETS, END OF YEAR	<u><u>\$ 21,203,707</u></u>	<u><u>\$ 13,857,170</u></u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Statement of Functional Expenses Year Ended December 31, 2023

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Capital</u> <u>Campaign</u>	<u>Cost of Direct</u> <u>Benefits to</u> <u>Donors</u>	<u>Total</u>
Salaries	\$ 682,726	\$ 55,999	\$ 236,876	\$ -	\$ -	\$ 975,601
Direct marketing and special events	196,127	35,248	74,962	6,613	-	312,950
Utilities	72,892	1,741	754	-	-	75,387
Depreciation	361,326	5,927	2,566	-	-	369,819
Insurance	42,752	1,021	442	-	-	44,215
Employee benefits	46,094	3,781	15,993	-	-	65,868
Printing and publishing	2,554	61	26	-	-	2,641
Household	187,716	-	-	-	-	187,716
Rent and facilities	40,000	-	-	10,675	37,633	88,308
Janitorial services	46,164	1,103	477	-	-	47,744
Payroll taxes	52,360	4,295	18,167	-	-	74,822
Repairs and maintenance	87,870	2,099	909	-	-	90,878
Professional fees	34,079	52,200	-	1,243	-	87,522
Postage	6,243	149	65	-	-	6,457
Telephone	12,587	301	130	-	-	13,018
Office supplies	3,652	87	38	-	-	3,777
Food and beverage	-	-	-	12,248	101,546	113,794
Advertising and public relations	11,750	964	4,077	-	-	16,791
Care Mobile expenses	80,355	-	-	-	-	80,355
Ronald McDonald Family Room (UAMS) expenses	86,753	-	-	-	-	86,753
Ronald McDonald Family Room (Monroe, LA) expense	6,433	-	-	-	-	6,433
Canister collection fees and supplies	39,497	-	-	-	-	39,497
Travel and conferences	17,106	1,403	5,935	7,391	-	31,835
Bad debt	56,009	-	-	-	-	56,009
Miscellaneous	49,129	4,030	17,046	-	134,195	204,400
Total Expenses	\$ 2,222,174	\$ 170,409	\$ 378,463	\$ 38,170	\$ 273,374	\$ 3,082,590

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Statement of Functional Expenses Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Capital Campaign	Cost of Direct Benefits to Donors	Total
Salaries	\$ 443,795	\$ 72,632	\$ 211,345	\$ -	\$ -	\$ 727,772
Direct marketing and special events	123,024	55,085	109,861	3,890	-	291,860
Utilities	63,752	3,067	887	-	-	67,706
Depreciation	349,586	11,371	3,288	-	-	364,245
Insurance	37,285	1,794	519	-	-	39,598
Employee benefits	47,921	7,843	22,821	-	-	78,585
Printing and publishing	4,785	230	67	-	-	5,082
Household	144,577	-	-	-	-	144,577
Rent and facilities	40,000	-	-	2,963	52,280	95,243
Janitorial services	35,368	1,702	492	-	-	37,562
Payroll taxes	35,931	5,881	17,112	-	-	58,924
Repairs and maintenance	55,889	2,689	778	-	-	59,356
Professional fees	57,172	38,973	27,227	76,470	-	199,842
Postage	5,976	287	83	-	-	6,346
Telephone	11,184	538	156	-	-	11,878
Office supplies	1,516	73	21	-	-	1,610
Food and beverage	-	-	-	1,492	67,838	69,330
Advertising and public relations	8,771	1,436	4,177	-	-	14,384
Care Mobile expenses	80,297	-	-	-	-	80,297
Ronald McDonald Family Room (UAMS) expenses	87,177	-	-	-	-	87,177
Canister collection fees and supplies	3,412	-	-	-	-	3,412
Travel and conferences	10,091	1,652	4,806	308	-	16,857
Bad debt	23,273	-	-	-	-	23,273
Miscellaneous	44,929	7,353	21,396	-	111,844	185,522
Total Expenses	<u>\$ 1,715,711</u>	<u>\$ 212,606</u>	<u>\$ 425,036</u>	<u>\$ 85,123</u>	<u>\$ 231,962</u>	<u>\$ 2,670,438</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Statements of Cash Flows Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 7,346,537	\$ 2,003,369
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	369,819	364,245
Loss on uncollectible contributions	56,009	23,273
Net change in value of endowment assets	(181,028)	198,492
Contribution of donated property and equipment	(347,814)	-
Changes in operating assets and liabilities:		
Contributions receivable, net	(3,204,186)	(714,580)
Prepaid expenses	(2,004)	(6,155)
Other assets	6,935	(4,599)
Accounts and contracts payable	14,772	6,186
Accrued payroll and related liabilities	16,863	4,250
Refundable advances	32,325	(140,918)
Net Cash Provided by Operating Activities	<u>4,108,228</u>	<u>1,733,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit, net	(2,529,395)	(416,046)
Purchases of property and equipment	(274,613)	(13,044)
Purchases of endowment assets	(146,229)	(1,108,268)
Proceeds from liquidation of endowment assets	1,096,151	-
Net Cash Used by Investing Activities	<u>(1,854,086)</u>	<u>(1,537,358)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,254,142	196,205
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,678,407</u>	<u>2,482,202</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,932,549</u>	<u>\$ 2,678,407</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc. (the Organization), formerly known as Ronald McDonald House Charities of Arkansas, Inc., is a nonprofit organization incorporated under the laws of the state of Arkansas and licensed by McDonald's Corporation to operate as an affiliate of Ronald McDonald House Charities, Inc. Global (RMHC Global). The Organization is granted the right to use the Ronald McDonald House Charities registered trademark and related copyrights in connection with the operation and maintenance of the Ronald McDonald House, which provides temporary housing for seriously ill children and their families while the children are receiving treatment at a near-by hospital, fundraising activities and making grants to others for the benefit of children in and around the local area.

Under terms of the license agreement, the Organization participates in a canister collection program, which was established by RMHC Global. RMHC Global receives 25% of the collections from the canister program.

The Organization provides support for the Ronald McDonald Care Mobile (Care Mobile), a mobile healthcare unit operated by Arkansas Children's Hospital that provides dental services to the surrounding community. Under the terms of an agreement between RMHC Global, the Organization and Arkansas Children's Hospital, the Organization provides for 20% of the operating expenses related to the Care Mobile.

The Organization also operates the Ronald McDonald Family Room (the Family Room) at the University of Arkansas for Medical Sciences (UAMS), located in UAMS' neonatal intensive care unit, providing respite, overnight rooms and amenities to families of their hospitalized babies. The Organization provides 100% of support for the Family Room.

On May 22, 2023, RMHC Global assigned additional program territory to the Organization, which included the remaining three counties in Southeast Arkansas and twelve parishes in Northeast Louisiana. The existing chapter in Monroe, Louisiana was closed by RMHC Global, with RMHC Global granting the Organization that chapter's financial assets of \$2.1 million in cash and nonfinancial assets of approximately \$310,000 that the Organization will utilize for the future construction of an additional Ronald McDonald Family Room in Monroe, Louisiana.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

For purposes of presentation in the statements of cash flows, cash and cash equivalents include demand deposit accounts and money market accounts held at multiple financial institutions.

Endowment Assets

Endowment assets include units of participation in two separate pooled funds administered by the Arkansas Community Foundation (ACF). Note 7 provides more information about these pooled funds and policies for determining fair value.

Realized and unrealized gains and losses on endowment assets are included in “change in value of endowment assets” on the statements of activities. Purchases and sales are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at the fair value at the time of donation. Major renewals and improvements are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to forty years.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as support in the period received or when the Organization becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

Promises to give which are scheduled to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional support over the term of the related promise to give.

As management believes all contributions receivable are fully collectible, no allowance for uncollectible contributions receivable has been recorded. If amounts become uncollectible, they will be expensed when that determination is made.

The Organization receives funds for special events, including two major fundraising events, and other events held with the intent to increase awareness of the Organization and its programs. A portion of the major fundraising event revenue is intended to cover the cost of the meal and entertainment provided, although the majority of the revenue consists of donor sponsorships and contributions. The Organization received donor sponsorships and contributions of approximately \$233,600 and \$187,500 that is included in refundable advances and the revenue has not been recognized at December 31, 2023 and 2022, respectively, because barriers to revenue recognition have not yet been met.

Donated Services, Land and Facilities

Donated services are recognized as contributions if services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. A portion of the Organization’s functions and activities are conducted by unpaid board members and other volunteers. Since this volunteer time does not meet the criteria for revenue recognition, its value is not reflected in the accompanying financial statements.

On June 30, 2015, a lease agreement was executed between the Organization and Arkansas Children’s Hospital for the land on which the Ronald McDonald House is located. The rent for the land is one dollar (\$1.00) per year. This arrangement provides significant economic value to the Organization. However, there is no determinable fair value of the rent associated with the usage of the land. Accordingly, no promises to give, nor rent expense has been recorded for this lease.

On March 31, 2019, an agreement was executed between the Organization and UAMS for space in UAMS to house the Family Room. The use of facilities and related utilities are provided to the Organization for one dollar (\$1.00) over the life of the agreement. This contribution is reflected as support and rent and facilities expense in the accompanying financial statements based upon its estimated fair value of \$40,000 for both of the years ended December 31, 2023 and 2022.

Functional Expenses

Expenses associated with certain activities and functions necessary for the support of programs provided by the Organization are considered supporting services expenses. Supporting services include various costs associated with administration, fundraising, maintenance and other general functions of the Organization.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

The Organization allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services. The expenses that are allocated include depreciation, insurance, repairs and maintenance, utilities, janitorial services, telephone, postage, printing and publishing, and office supplies, and are allocated on a square footage basis. Salaries, employee benefits, payroll taxes, professional fees, advertising and public relations, and travel and conferences are allocated based on the basis of estimates of time and effort.

Advertising Expense

The Organization uses advertising to promote its programs throughout the area it serves. The production costs of advertising are expensed the first time the advertising takes place. Advertising expense was approximately \$16,800 and \$14,400 during the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Internal Revenue Code Section 509(a).

Accounting standards require the Organization to evaluate tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Organization may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results may differ from those estimates.

Expense Allocation

The Organization achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. For the years ended December 31, 2023 and 2022, the costs of conducting those campaigns totaled approximately \$158,300 and \$85,300, respectively, of joint costs that are not directly attributable to either the program services or the fundraising component of the activities. Of those amounts, approximately \$112,400 and \$23,000 were allocated to program services and \$45,900 and \$62,300 were allocated to fundraising for the years ended December 31, 2023 and 2022, respectively.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, 2023 and 2022 include the following:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 4,409,195	\$ 900,380
Less unamortized discount on long-term receivables	<u>(73,827)</u>	<u>(23,818)</u>
Contributions receivable, net	<u>\$ 4,335,368</u>	<u>\$ 876,562</u>

Contributions receivable at December 31, 2023 are expected to be collected as follows:

Amounts due in:	
Less than one year	\$ 3,412,524
One to five years	<u>996,671</u>
	<u>\$ 4,409,195</u>

Promises to give which are scheduled to be received after one year are reported at the present value of estimated future cash flows using a discount rate of 8.0%.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 8,073,603	\$ 8,073,603
Leasehold improvements	679,440	679,441
Furniture and equipment	348,740	312,091
Vehicles	89,333	52,148
Less accumulated depreciation	<u>(2,229,339)</u>	<u>(1,859,520)</u>
	6,961,777	7,257,763
Land and land improvements	342,075	342,075
Construction in process	<u>237,965</u>	<u>-</u>
Property and equipment, net	<u>\$ 7,541,817</u>	<u>\$ 7,599,838</u>

As of December 31, 2023, construction in process consisted primarily of architecture and design fees and site preparation expenses related to the future house in Shreveport. Construction is expected to be completed during 2025.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 5: LINE OF CREDIT

At December 31, 2023, the Organization had a \$100,000 line of credit with a financial institution, with interest on this line of credit accruing at 8.00%. None of this line of credit was used as of December 31, 2023. This line of credit is scheduled to mature on March 30, 2025. At the time of maturity, all outstanding advances and any unpaid interest thereon are due and payable.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

The following provides the amounts comprising net assets with donor restrictions as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Shreveport capital campaign	\$ 6,076,044	\$ 1,797,877
Ronald McDonald Family Room (Monroe, LA)	2,417,234	-
Ronald McDonald Family Room (UAMS)	174,218	256,332
Coca-Cola fund	37,526	35,555
Farm Bureau gift card program	-	5,047
Tyson meal program	15,375	12,434
Future programs	5,000	5,000
	<u>8,725,397</u>	<u>2,112,245</u>
Subject to passage of time:		
Capital campaign fund	<u>9,230</u>	<u>10,130</u>
Subject to perpetuity:		
Kroc Operating Endowment	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restrictions	<u>\$ 9,234,627</u>	<u>\$ 2,622,375</u>

NOTE 7: ENDOWMENT

During 2016 and 2021, the Board entered into agreements with ACF to create endowment funds to aid and assist the Organization in carrying out its charitable purposes (Fund 1 and Fund 2, respectively). Collectively, Fund 1 and Fund 2 will be referred to as “the Funds.” The Organization invested into Fund 1 a contribution received from a donor, the corpus of which is to be maintained in perpetuity. In addition, the Organization invested general contributions into the Funds resulting from an internal designation by the Board of Directors (the Board). Additional contributions and income of the Funds are reported as increases to net assets without donor restrictions.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 7: ENDOWMENT (Continued)

The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by the spending rate policy adopted by the Board and ACF, any amount may be withdrawn out of the Funds, excluding a minimum balance of \$50,000 for Fund 2. For Fund 2, after three years, the entire amount may be withdrawn. For the amount withdrawn from Fund 1, any donor restrictions will remain in place.

The Organization invests the assets in the Funds in pooled funds managed by ACF. The Organization's interest in the pooled funds is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets.

Changes in endowment net assets attributable to the Funds during the years ended December 31 are as follows:

	2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	Restrictions	Restrictions	Restrictions
Endowment net assets, beginning of year	\$ 1,508,519	\$ 500,000	\$ 2,008,519
Contributions	146,229	-	146,229
Distributions	(1,096,151)	-	(1,096,151)
Change in value of endowment assets	181,028	-	181,028
Endowment net assets, end of year	<u>\$ 739,625</u>	<u>\$ 500,000</u>	<u>\$ 1,239,625</u>
	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 598,743	\$ 500,000	\$ 1,098,743
Contributions	1,108,268	-	1,108,268
Change in value of endowment assets	(198,492)	-	(198,492)
Endowment net assets, end of year	<u>\$ 1,508,519</u>	<u>\$ 500,000</u>	<u>\$ 2,008,519</u>

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 8: EMPLOYEE BENEFIT PLAN

Effective February 1, 2009, the Board established a 403(b) thrift plan that covers all employees. Employees are allowed to make salary deferrals to this plan, subject to limitations set forth in the Internal Revenue Code. In addition, the Organization makes matching contributions equal to 100% of the employee's salary deferrals up to 3% of their compensation. Employer matching contributions totaled approximately \$15,800 and \$12,800 the years ended December 31, 2023 and 2022, respectively.

NOTE 9: CONCENTRATION OF CREDIT RISK

The Organization maintains bank accounts, which include demand deposits and certificates of deposit that may, at times, have balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). In the event of an institutional failure, the excess of the balance over FDIC insurance may not be recoverable. At December 31, 2023 and 2022, the total account balance maintained at multiple financial institutions was approximately \$8,464,000 and \$3,656,000, respectively, of which approximately \$39,000 was not insured by the FDIC at December 31, 2023. All balances were insured by the FDIC at December 31, 2022.

NOTE 10: CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Family support	\$ 30,229	\$ 95,907
Food	32,235	35,056
House supplies	26,742	25,690
Pop tabs	3,964	3,682
Rent and facilities	40,000	40,000
Property and vehicle	<u>347,814</u>	<u>-</u>
Total contributions of nonfinancial assets	<u>\$ 480,984</u>	<u>\$ 200,335</u>

The Organization recognized contributed nonfinancial assets within revenues, including family support, food for families, house supplies, pop tabs, rent for the Family Room at UAMS and a vehicle. None of the contributed nonfinancial assets have any donor-imposed restrictions.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 10: CONTRIBUTIONS OF NONFINANCIAL ASSETS (Continued)

Contributed family support, food and household items were utilized in both the operations of the Ronald McDonald House and the Family Room at UAMS. In valuing family support, food and household 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 pop tabs are utilized by the Organization as a fundraising item, and the Organization estimated the fair value on the basis of what the Organization received after recycling these pop tabs.

Contributed rent and facilities are used for the operations of the Family Room at UAMS, and the Organization estimated the fair value on the basis of the rental value of the property and associated cost of utilities.

A contributed vehicle is used for travel as needed for Ronald McDonald House operations, and the Organization estimated the fair value on the basis of what the Organization would have paid to purchase the vehicle.

The Organization received a pledge for the Ronald McDonald House that was affiliated with the closed Monroe, Louisiana chapter. The Organization estimated the fair value on the basis of the assessed value of the property at the time of donation. On March 20, 2024, the Organization received approximately \$499,500 of proceeds from the sale of this house, with the purpose of these funds being used for building a Ronald McDonald Family Room in Monroe, Louisiana.

NOTE 11: RELATED PARTY RELATIONSHIPS

Certain members of the Board serve in management capacities at financial institutions and a telecommunications company that the Organization has transacted with during the years ended December 31, 2023 and 2022.

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash.

Ronald McDonald House Charities of Arkansas & North Louisiana, Inc.

Notes to Financial Statements December 31, 2023 and 2022

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Organization has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,932,549	\$ 2,678,407
Certificates of deposit	3,531,255	1,001,860
Contributions receivable	4,335,368	876,562
Endowment assets	689,625	1,458,519
	<u>13,488,797</u>	<u>6,015,348</u>
Less contributions due in more than one year	<u>(996,671)</u>	<u>(646,463)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 12,492,126</u></u>	<u><u>\$ 5,368,885</u></u>

Although not expected to be needed, the Organization could also draw upon a \$100,000 line of credit, all of which is unused as of December 31, 2023 (as disclosed in Note 5).

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2024, the date that the financial statements were available to be issued.