

• **Financial Statements**

•
• **Ronald McDonald**
• **House Charities of**
• **Northwest Ohio, Inc.**

• December 31, 2023 and 2022



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To the Board of Directors
Ronald McDonald House Charities
of Northwest Ohio, Inc.
Toledo, Ohio

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northwest Ohio, Inc. (the "Organization") (a nonprofit corporation), 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 results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors
Ronald McDonald House Charities
of Northwest Ohio
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

GBQ Partners LLC

Sylvania, Ohio
June 4, 2024

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Statements of Financial Position
December 31, 2023 and 2022



	2023	2022
ASSETS		
Cash and cash equivalents	\$ 19,260	\$ 87,894
Accounts receivable	413,941	422,346
Accrued revenue	-	18,919
Investments	2,357,570	2,157,896
Property and equipment, net	6,136,200	6,445,128
Operating right-of-use assets	5,429	14,556
Finance right-of-use assets	44,919	-
Beneficial use of land, net	1,345,024	1,359,873
TOTAL ASSETS	\$ 10,322,343	\$ 10,506,612
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 76,946	\$ 96,675
Deferred revenue	16,800	-
Line of credit	140,600	161,200
Note payable	1,262,723	1,312,723
Finance right-of-use liabilities	45,374	-
Operating right-of-use liabilities	5,429	14,556
Total liabilities	1,547,872	1,585,154
Net Assets		
Without donor restrictions:		
Undesignated	5,762,021	5,878,895
Board designated	1,070,861	1,087,709
Total without donor restrictions	6,832,882	6,966,604
With donor restrictions	1,941,589	1,954,854
Total net assets	8,774,471	8,921,458
TOTAL LIABILITIES AND NET ASSETS	\$ 10,322,343	\$ 10,506,612

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Statement of Activities For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,152,516	\$ 13,000	\$ 1,165,516
In-Kind Contributions	140,250	-	140,250
Special events revenue	296,882	-	296,882
Less: direct benefit costs	87,390	-	87,390
Net revenue from special events	209,492	-	209,492
RMH room donation/fees	4,177	-	4,177
Other income	4,643	-	4,643
Net assets released from restrictions:			
Satisfaction of program restrictions	11,417	(11,417)	-
Expiration of time restrictions	14,848	(14,848)	-
Total net assets released from restrictions	26,265	(26,265)	-
 Total revenues and other support	 1,537,343	 (13,265)	 1,524,078
Expenses			
Program services	1,482,096	-	1,482,096
Supporting services:			
Management and general	267,937	-	267,937
Fundraising	236,973	-	236,973
Total expenses	1,987,006	-	1,987,006
 Change in net assets from operations	 (449,663)	 (13,265)	 (462,928)
Investment Gain, Net	315,941	-	315,941
Change in Net Assets	(133,722)	(13,265)	(146,987)
Net Assets - Beginning of Year	6,966,604	1,954,854	8,921,458
Net Assets - End of Year	\$ 6,832,882	\$ 1,941,589	\$ 8,774,471

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Statement of Activities For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,406,048	\$ 13,000	\$ 1,419,048
In-Kind Contributions	105,518	-	105,518
Special events revenue	143,622	-	143,622
Less: direct benefit costs	43,331	-	43,331
Net revenue from special events	100,291	-	100,291
RMH room donation/fees	1,205	-	1,205
Other income	4,139	-	4,139
Gain on forgiveness of PPP loan	-	-	-
Satisfaction of program restrictions	6,476	(6,476)	-
Expiration of time restrictions	14,848	(14,848)	-
Total net assets released from restrictions	21,324	(21,324)	-
Total revenues and other support	1,638,525	(8,324)	1,630,201
Expenses			
Program services	1,439,583	-	1,439,583
Supporting services:			
Management and general	294,628	-	294,628
Fundraising	238,701	-	238,701
Total expenses	1,972,912	-	1,972,912
Change in net assets from operations	(334,387)	(8,324)	(342,711)
Investment Loss, Net	(336,973)	-	(336,973)
Change in Net Assets	(671,360)	(8,324)	(679,684)
Net Assets - Beginning of Year	7,637,964	1,963,178	9,601,142
Net Assets - End of Year	\$ 6,966,604	\$ 1,954,854	\$ 8,921,458

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Statement of Functional Expenses For the Year Ended December 31, 2023 with Comparative 2022 Total

	Program Services	Supporting Services		2023 Total	2022 Total
	House Operations	Management and General	Fundraising		
Salaries and wages	\$ 479,454	\$ 74,009	\$ 90,099	\$ 643,562	\$ 613,551
Employee health and retirement benefits	71,962	11,108	13,523	96,593	92,965
Payroll taxes	40,474	6,247	7,606	54,327	52,753
Total salaries and related expenses	591,890	91,364	111,228	794,482	759,269
Depreciation	298,326	19,042	-	317,368	373,621
Public relations	45,039	32,372	63,336	140,747	153,946
Interest expense	93,747	-	-	93,747	42,673
Contract service expense	63,208	27,089	-	90,297	80,291
Cleaning services and supplies	82,147	-	-	82,147	16,773
Professional fees	9,268	47,667	9,268	66,203	102,139
Utilities	48,773	3,113	-	51,886	50,565
Food	46,846	-	-	46,846	43,334
Maintenance and repairs	32,614	2,082	-	34,696	42,731
House supplies	32,919	-	-	32,919	65,463
Printing/publishing	3,355	-	27,148	30,503	31,381
Insurance	28,306	1,807	-	30,113	28,344
Fundraising	-	-	21,823	21,823	17,088
Telephone	20,161	1,287	-	21,448	29,458
Meetings/training/seminars	13,282	3,795	1,897	18,974	13,348
Other expenses	17,802	1,136	-	18,938	40,704
Automobile expense	15,813	-	-	15,813	15,944
Rent - land	-	14,848	-	14,848	14,848
Programs	14,091	-	-	14,091	3,124
Bank charges	-	12,745	-	12,745	13,418
Hotel expense	11,914	-	-	11,914	8,351
Rental equipment	9,679	1,210	1,210	12,099	14,533
Dues and subscriptions	769	6,917	-	7,686	7,428
Office supplies	1,866	1,088	156	3,110	2,597
Postage	281	375	907	1,563	1,541
Total Functional Expenses	\$ 1,482,096	\$ 267,937	\$ 236,973	\$ 1,987,006	\$ 1,972,912

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Statement of Functional Expenses For the Year Ended December 31, 2022 with Comparative 2021 Total

	Program Services	Supporting Services		2022 Total	2021 Total
	House Operations	Management and General	Fundraising		
Salaries and wages	\$ 457,095	\$ 70,558	\$ 85,897	\$ 613,551	\$ 659,715
Employee health and retirement benefits	69,259	10,691	13,015	92,965	95,808
Payroll taxes	39,301	6,067	7,385	52,753	58,252
Total salaries and related expenses	565,655	87,316	106,297	759,269	813,775
Depreciation	351,204	22,417	-	373,621	372,523
Public relations	49,263	35,408	69,276	153,946	30,057
Professional fees	14,300	73,540	14,299	102,139	102,894
Contract service expense	56,204	24,087	-	80,291	44,892
House supplies	65,463	-	-	65,463	79,084
Utilities	47,531	3,034	-	50,565	57,061
Food	43,334	-	-	43,334	39,950
Maintenance and repairs	40,167	2,564	-	42,731	51,620
Interest expense	42,673	-	-	42,673	23,784
Other expenses	38,262	2,442	-	40,704	9,106
Printing/publishing	3,452	-	27,929	31,381	21,136
Telephone	27,691	1,767	-	29,458	20,621
Insurance	26,643	1,701	-	28,344	25,934
Fundraising	-	-	17,088	17,088	27,237
Cleaning services and supplies	16,773	-	-	16,773	14,505
Automobile expense	15,944	-	-	15,944	1,140
Rent - land	-	14,848	-	14,848	14,848
Rentals equipment	11,627	1,453	1,453	14,533	14,690
Bank charges	-	13,418	-	13,418	13,285
Meetings/training/seminars	9,344	2,669	1,335	13,348	4,697
Hotel expense	8,351	-	-	8,351	1,829
Dues and subscriptions	743	6,685	-	7,428	8,955
Programs	3,124	-	-	3,124	1,080
Office supplies	1,558	909	130	2,597	3,183
Postage	277	370	894	1,541	3,059
Bad debt	-	-	-	-	750
Total Functional Expenses	\$ 1,439,583	\$ 294,628	\$ 238,701	\$ 1,972,912	\$ 1,801,695

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Statements of Cash Flows December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (146,987)	\$ (679,684)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	317,368	373,621
Amortization of beneficial use of land	14,849	14,849
Net realized and unrealized (gains) losses on investments	(242,182)	402,158
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable	8,405	(166,483)
Accrued revenue	18,919	(18,919)
Other liabilities	455	-
Accounts payable and accrued expenses	(19,729)	30,165
Deferred revenue	16,800	-
Total adjustments	<u>114,885</u>	<u>635,391</u>
Net cash used in operating activities	<u>(32,102)</u>	<u>(44,293)</u>
Cash Flows from Investing Activities		
Purchases of investments	(210,500)	(320,200)
Proceeds from sales of investments	253,008	361,544
Purchases of property and equipment	(8,440)	(21,715)
Net cash provided by investing activities	<u>34,068</u>	<u>19,629</u>
Cash Flows from Financing Activities		
Payments on line of credit	(20,600)	(34,700)
Payments on note payable	(50,000)	(50,000)
Net cash used in financing activities	<u>(70,600)</u>	<u>(84,700)</u>
Net decrease in cash and cash equivalents	<u>(68,634)</u>	<u>(109,364)</u>
Cash and Cash Equivalents - Beginning of Year	<u>87,894</u>	<u>197,258</u>
Cash and Cash Equivalents - End of Year	<u>\$ 19,260</u>	<u>\$ 87,894</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 93,700	\$ 42,700

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Notes to Financial Statements
December 31, 2023 and 2022



Nature and Scope of Business

Ronald McDonald House Charities of Northwest Ohio, Inc. (the "Organization") was formed in 1981 to own and operate the Ronald McDonald House of Northwest Ohio. The Organization is committed to providing temporary, homelike accommodations and to enrich the lives of children by providing comfort, care and support to families in Northwest Ohio, Southeast Michigan and beyond.

Summary of Significant Accounting Policies

Basis of Accounting

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).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated, from net assets without donor restrictions, net assets to serve as collateral for the loan on its facility.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions. These restrictions expire when the assets are placed in service. The Organization's donor-restricted endowment fund, which is required to be maintained in perpetuity, is classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

See Independent Auditor's Report.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Notes to Financial Statements December 31, 2023 and 2022



Summary of Significant Accounting Policies (continued)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The most significant areas involving the use of management’s estimates and assumptions are depreciation of property and equipment, fair value of investments and the allocation of expenses to program services, management and general, and fundraising activities. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization’s cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation (FDIC) 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. Cash equivalents, consisting of money market funds, amounted to \$8,000 and \$5,995 at December 31, 2023 and 2022, respectively.

Accounts Receivable

Accounts receivable primarily consist of contributions resulting from fundraising activities. Management establishes a reserve for losses on its receivables based on current aging of receivables, a specific review of potential bad debts and historic loss experience.

Unconditional promises to give totaled \$413,941 and \$422,346 as of December 31, 2023 and 2022, respectively. Amounts due are as follows:

	2023	2022
Less than one year	\$ 160,860	\$ 154,680
One - five years	253,081	267,666
Total	\$ 413,941	\$ 422,346

The carrying amount of receivables is reduced by a valuation allowance for expected credit losses, as necessary, that reflects management’s best estimate of the amount that will not be collected. This estimation takes into consideration historical experience, current conditions and, as applicable, reasonable supportable forecasts. Actual results could vary from the estimate. Accounts are charged against the allowance when management deems them to be uncollectible. Based on its assessment, management determined that the risk of credit loss was not material; therefore, there was no valuation allowance recorded as of December 31, 2023 and 2022.

See Independent Auditor’s Report.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Notes to Financial Statements
December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

Investments

Investments consist of mutual funds and are recorded at fair value. Fair value is determined based upon quoted market values of the funds. Investment securities acquired by gift or bequest are recorded at fair value on the date of gift and such amount is considered the cost of the security. Any realized gain or loss on sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses, is allocated among net assets without donor restrictions and net assets with donor restrictions, based on donor restrictions or the absence thereof.

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 \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	20 - 39 years
Leasehold improvements	15 years
Furniture and equipment	5 - 20 years
Computer hardware and software	3 - 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.

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.

See Independent Auditor's Report.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Notes to Financial Statements
December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

Donated Assets, Property and Equipment, and Services (continued)

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.

Leases

Pursuant to GAAP, a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less are not recorded within the accompanying balance sheets.

Operating leases are included in right-of-use (ROU) assets - operating leases, other accrued liabilities, and operating lease liabilities within the Company's accompanying balance sheets. Finance leases are included in finance lease right-of-use (ROU) assets, current portion of finance lease liabilities, and finance lease liabilities within the Company's accompanying balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. If the Company's leases do not provide an implicit rate, the Company elected the practical expedient to utilize the risk-free rate to determine the present value of lease payments. ROU assets - operating leases also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option.

The Company has lease agreements with lease and non-lease components, however the Company has elected the practical expedient to account for the lease and non-lease components of office equipment as a single lease.

See Independent Auditor's Report.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Notes to Financial Statements
December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. 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. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions

The Organization receives contributed services (primarily laundry, maintenance, and security services), and materials from individuals and organizations throughout the year. The in-kind donations have been recorded as revenue in contributions and a corresponding expense based on the nature of the contributed service.

Functional Allocation of Expenses

The costs of providing program activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated primarily consist of occupancy and related expenses, which are allocated based on an estimate of the space occupied by each function, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Management considers its method of allocation to be equitable.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "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. The Organization's policy is to classify interest and penalties recognized in connection with income tax matters in interest expense and management and general expense, respectively.

Concentration of Credit Risk

The Organization receives revenues primarily from contributors in Northwest Ohio and Southeast Michigan. At December 31, 2023 or 2022, there were no single donors greater than 10% of total receivables.

See Independent Auditor's Report.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

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

Summary of Significant Accounting Policies (continued)

Reclassification

Certain amounts in the 2022 financial statements were reclassified to conform with the 2023 presentation.

Change in Accounting Principles

Newly Adopted Accounting Pronouncements

Effective January 1, 2023, the Company adopted the provisions and disclosure requirements described in ASC Topic 326, *Financial Instruments – Credit Losses* (ASC 326). ASC 326 sets forth a current expected credit loss (CECL) model, which requires the Company to measure all expected credit losses for financial assets (or a group of financial assets) held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. The standard replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost, such as accounts receivable and related allowances. The adoption of ASC 326 did not have a material effect to the accompanying financial statements.

Liquidity and Availability of Financial Assets

The Organization monitors its liquidity so that it is able to meet its operating needs and other commitments while maximizing the investment of its excess operating cash. The Organization's financial assets available within one year of the statement of financial position are as follows:

	2023	2022
Cash and cash equivalents	\$ 19,260	\$ 87,894
Investments	1,793,338	1,593,664
Accounts receivable	160,761	154,680
Total	\$ 1,973,359	\$ 1,836,238

Investments represent the portion of the Organization's investment portfolio which are not part of its endowment of \$564,232, which is restricted in perpetuity. While it is the Organization's intent to maintain its investment portfolio on a long-term basis, investments are readily marketable and could be converted to cash if necessary.

Accounts Receivable represents pledges expected to be collected within one year of the statement of financial position date that are free of any restriction that would limit their availability for general expenditure.

See Independent Auditor's Report.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

Notes to Financial Statements
December 31, 2023 and 2022

Liquidity and Availability of Financial Assets (continued)

The Organization anticipates covering the majority of its general operating expenditures by collecting sufficient donations and other support. The Organization's operating expenditures average approximately \$150,000 per month. The financial assets above are sufficient to support the Organization's operating expense for approximately twelve months.

Fair Value Measurements

U.S. GAAP established a fair value hierarchy that prioritizes the inputs to measure the fair value of the assets or liabilities being measured. Fair value is defined as the exchange value that would be received on the measurement date to sell an asset or to value the amount paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.
- Level 2 Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 Inputs are significant unobservable inputs for the asset or liability.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Mutual Funds: Valued at quoted market prices, which represent the net asset value of shares held by the Organization at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

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Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's net assets at fair value as of December 31, 2023 and 2022. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	2023			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 2,357,570	\$ -	\$ -	\$ 2,357,570

	2022			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 2,157,896	\$ -	\$ -	\$ 2,157,896

The composition of net investment income on the Organization's investment portfolio for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Interest and dividend income	\$ 79,232	\$ 70,897
Realized and unrealized gains (losses), net	242,182	(402,158)
Less: investment expense	(5,473)	(5,712)
Investment Gain (Loss), net	\$ 315,941	\$ (336,973)

Property and Equipment

	2023	2022
Leasehold improvements	\$ 1,154,969	\$ 1,154,969
Building and improvements	7,284,683	7,280,993
Furniture and equipment	582,469	582,469
Computer hardware and software	141,741	136,991
Total property and equipment	9,163,862	9,155,422
Less: accumulated depreciation	(3,027,662)	(2,710,294)
Net property and equipment	\$ 6,136,200	\$ 6,445,128

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Leases

The Organization leases certain equipment under non-cancelable operating leases expiring on various dates through fiscal 2028.

Future minimum rental commitments under non-cancellable operating leases agreements, as of December 31, 2023, are as follows:

	Operating Leases	Finance Leases
2024	\$ 1,848	\$ 10,515
2025	1,848	10,515
2026	1,848	10,515
2027	-	10,515
2028 & Thereafter	-	7,884
Total undiscounted cash flows	5,544	49,944
Less: present value discount	(115)	(4,570)
Total lease liabilities	\$ 5,429	\$ 45,374

The following summarizes the components of lease expense for the years ended December 31:

	2023	2022
Finance lease expense:		
Amortization of ROU assets	\$ 4,728	\$ -
Interest on lease liabilities	985	-
Operating lease expense	9,153	16,459
Total lease expense	\$ 14,866	\$ 16,459

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Leases (continued)

The following summarizes additional information related to leases for the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 827	\$ 16,381
Financing cash flows from finance leases	3,554	-
Operating cash flows from operating leases	9,231	-
ROU assets obtained in exchange for new finance lease liabilities	48,771	30,706
Weighted-average remaining lease term in years for finance leases	4.75	-
Weighted-average remaining lease term in years for operating leases	3.00	2.23
Weighted-average discount rate for operating leases	4.19%	-
Weighted-average discount rate for finance leases	1.37%	1.08%

Beneficial Use of Land

In August 2015, the Organization entered into a lease agreement with The Toledo Hospital (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The initial term of the lease was for a 99-year period that ends on August 31, 2114, with an aggregate annual base rent of \$1.00. An independent appraisal determined that the fair value of the space at the time of inception was \$1,470,000. The annual rental value was estimated to be approximately \$147,000 per year. In connection with this lease agreement, the Organization recorded a restricted contribution in 2015 in the amount of \$1,470,000. The value remaining on the use of land is \$1,345,024 and \$1,359,873 as of December 31, 2023 and 2022, respectively. Rent expense associated with the use of the land is being recognized on a straight-line basis over the term of the lease. For the years ended December 31, 2023 and 2022, rent expense of \$14,848 was recorded in connection with this lease agreement.

Line of Credit

The Organization has a demand line of credit in the amount of \$250,000 for its working capital requirements. Interest on amounts borrowed is payable monthly at the greater of 4.00% or the bank's prime rate (effective rate of 8.50% and 7.50% as at December 31, 2023 and 2022, respectively). The line is secured by assignment of pledges, marketable securities, and business assets. Amounts borrowed under this line was \$140,600 and \$161,200 at December 31, 2023 and 2022, respectively.

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Note Payable

Note Payable consists of the following as of December 31:

	2023	2022
Multi-draw time note with a bank under which the Organization may borrow up to \$3,750,000 at a variable rate of SOFR rate plus 1.30% (effective rate of 6.64% and 5.02% at December 31, 2023 and 2022, respectively). The note requires monthly interest only payments until maturity at August 6, 2024. It is secured by assignment of pledges, marketable securities business assets and a leasehold mortgage.	\$ 1,262,723	\$ 1,312,723

In-Kind Contributions

The Organization receives contributed goods and services (primarily laundry, maintenance, and security services), and materials. These amounts are reported as contributions at their estimated fair value as of the date of the contribution, and 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 condition and utility for use at the time the goods are contributed by the donor.

Specific information related to contributions of non-financial assets are as follows for the years ended December 31:

Non-financial Contributions Category	Type of Contributions for Beneficiaries	Valuation Method	2023	2022
Household items	Donated household items	Fair market value of identical or similar items	\$ 20,470	\$ 48,380
Food	Donated food and related products	Fair market value of identical or similar items	12,678	20,358
Housekeeping	Donated housekeeping services	Fair market value of identical or similar items	81,557	15,818
Guest Transportation	Donated transportation	Fair market value of identical or similar items	13,632	12,611
Supplies	Donated supplies	Fair market value of identical or similar items	11,913	8,351
Total			\$ 140,250	\$ 105,518

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Benefit Plan

The Organization sponsors a 401(k) Plan covering all employees with at least one year of service. The plan provides for discretionary nonelective and matching contributions. The directors authorized nonelective 2% and matching 3% contributions for 2023 (nonelective 3% and matching 2% contributions in 2022). Contribution expense relating to this plan aggregated approximately \$29,000 and \$27,500 at December 31 2023 and 2022, respectively.

Related Party Transactions

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding, and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. RMHC Global receives all proceeds of fund-raising events sponsored and supported by RMHC Global, including canister donations, and remits a portion of the proceeds to the Organization. The Organization received contributions of \$204,398 and \$236,673 from RMHC Global in 2023 and 2022, respectively.

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2023	2022
Subject to expenditures for specified purposes:		
Family support	\$ -	\$ 19
Other	32,330	30,730
Total Expenditures for Specified Purposes	32,330	30,749
Subject to the passage of time:		
Beneficial use of land	1,345,024	1,359,873
Not subject to appropriation or expenditure:		
Endowment to be maintained in perpetuity	564,232	564,232
Total Assets with Donor Restrictions	\$ 1,941,586	\$ 1,954,854

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Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions include endowment fund assets to be held indefinitely. The income from the assets can be spent on Ronald McDonald House operations.

Net assets were released from restrictions as follows:

	2023	2022
Program restrictions accomplished: Program expenses	\$ 11,417	\$ 6,476
Expiration of time restrictions: Beneficial use of land	14,848	14,848
Total Net Assets Released from Restrictions	\$ 26,265	\$ 21,324

Endowments

The Organization’s endowments consist of donor restricted endowment funds established to support the operating expenses of the Organization.

Interpretation of Relevant Law

The Organization is subject to the Ohio Uniform Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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Endowments (continued)

In accordance with SPMIFA, 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.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets that attempts to achieve a long-term rate of return on assets that meets or exceeds the Spending Policy for Operations (Spending Policy) rate plus inflation plus expenses. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the investment policy.

Spending Policy

In October 2008, the Organization approved a Spending Policy to determine an annual amount to be withdrawn from the cumulative return of endowment funds to support the activities of the operating fund. The Spending Policy, which was effective January 1, 2009, was also designed to provide support for the operations of future years and to offset potential market declines. As the earnings on the endowment funds are not restricted as for use, the Organization withdraws and expends investment earnings for operating activities.

Strategies Employed for Achieving Objectives

Based on the Organization’s time horizon, risk tolerance, performance expectations, and asset class preferences, an efficient or optimal portfolio was identified. The Organization targets a diversified asset allocation that has a balance of both fixed income and equity securities to achieve its long-term objective within prudent risk constraints.

The following summarizes endowment net asset composition by type of fund as of December 31, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 564,232	\$ 564,232

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Subsequent Events

The Organization has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

See Independent Auditor's Report.