

RONALD MCDONALD HOUSE CHARITIES OF NORTH CENTRAL FLORIDA, INC.

Audited Financial Statements

December 31, 2022 and 2021

Ronald McDonald House Charities of North Central Florida, Inc.

Contents

Independent Auditors' Report	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Cash Flows	8
Statements of Functional Expenses	9
Notes to Financial Statements	11



Independent Auditors' Report

To the Board of Directors
Ronald McDonald House Charities of North Central Florida, Inc.

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of North Central Florida, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021 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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of North Central Florida, Inc. as of December 31, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in conformity 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. 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 Ronald McDonald House Charities of North Central Florida, 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 Ronald McDonald House Charities of North Central Florida, 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 North Central Florida, 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 North Central Florida, 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.



St. Petersburg, Florida
July 10, 2023

Ronald McDonald House Charities of North Central Florida, Inc.

Statements of Financial Position December 31, 2022 and 2021

<i>December 31,</i>	2022	2021
ASSETS		
Current Assets		
Cash and equivalents	\$ 1,812,893	\$ 736,662
Contributions receivable:		
Promises to give	702,769	37,501
Use of building, current portion	356,934	–
Use of land, current portion	4,085	3,890
Inventory, supplies	4,952	19,817
Prepaid expenses	22,074	9,973
Investments:		
Investments, without donor restrictions	1,304,033	1,693,587
Investments, with donor restrictions	660,000	660,000
Current assets	4,867,740	3,161,430
Property and equipment, net	1,147,434	1,237,648
Contribution receivable – use of land and building	5,656,999	–
Contribution receivable – use of land	–	194,914
TOTAL ASSETS	\$ 11,672,173	\$ 4,593,992
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 10,284	\$ 16,655
Accrued payroll	11,446	8,383
Current liabilities	21,730	25,038
Total liabilities	21,730	25,038
Net Assets		
Without Donor Restrictions	3,612,358	3,689,525
With Donor Restrictions	8,038,085	879,429
Total net assets	11,650,443	4,568,954
TOTAL LIABILITIES AND NET ASSETS	\$ 11,672,173	\$ 4,593,992

See accompanying notes to financial statements.

**Ronald McDonald House Charities
of North Central Florida, Inc.**
Statement of Activities and Changes in Net Assets
Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022
Revenues:			
Contributions:			
Room donations	\$ 33,749	\$ —	\$ 33,749
Payroll deduction	67,972	—	67,972
Other contributions	955,504	—	955,504
Capital Campaign	—	1,344,448	1,344,448
Non-cash contributions:			
Contribution – use of land and building	—	6,043,000	6,043,000
Supplies	133,188	—	133,188
Media time	320,000	—	320,000
Discount amortization	61,693	—	61,693
Special event revenue	625,142	—	625,142
Direct fundraising costs	(299,248)	—	(299,248)
Net special event expense	325,894	—	325,894
Investment income	(386,037)	—	(386,037)
Other revenue	3,322	—	3,322
Net assets released from restrictions	228,792	(228,792)	—
Total revenues	1,744,077	7,158,656	8,902,733
Expenses:			
Program services:			
House	939,448	—	939,448
Family room	87,598	—	87,598
Supporting services:			
Management and general	380,223	—	380,223
Fundraising	413,975	—	413,975
Total expenses	1,821,244	—	1,821,244
Change in net assets	(77,167)	7,158,656	7,081,489
Net assets, beginning of year	3,689,525	879,429	4,568,954
Net assets, end of year	\$ 3,612,358	\$ 8,038,085	\$ 11,650,443

See accompanying notes to financial statements.

**Ronald McDonald House Charities
of North Central Florida, Inc.**
Statement of Activities and Changes in Net Assets
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021
Revenues:			
Contributions:			
Room donations	\$ 20,966	\$ —	\$ 20,966
Payroll deduction	54,506	—	54,506
Other contributions	978,452	—	978,452
Non-cash contributions:			
Supplies	198,578	—	198,578
Discount amortization	10,125	—	10,125
Special event revenue	581,362	—	581,362
Direct fundraising costs	(163,812)	—	(163,812)
Net special event expense	417,550	—	417,550
Investment income	114,221	—	114,221
Other revenue	1,099	—	1,099
Net assets released from restrictions	77,088	(77,088)	—
Total revenues	1,872,585	(77,088)	1,795,497
Expenses:			
Program services:			
House	675,184	—	675,184
Family room	65,919	—	65,919
Supporting services:			
Management and general	140,318	—	140,318
Fundraising	85,535	—	85,535
Total expenses	966,956	—	966,956
Change in net assets	905,629	(77,088)	828,541
Net assets, beginning of year	2,783,896	956,517	3,740,413
Net assets, end of year	\$ 3,689,525	\$ 879,429	\$ 4,568,954

See accompanying notes to financial statements.

**Ronald McDonald House Charities
of North Central Florida, Inc.**
Statements of Cash Flows
Years ended December 31, 2022 and 2021

<i>Year ended December 31,</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 7,081,489	\$ 828,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	284,210	71,762
Net (gain)/loss on investments	443,485	(7,451)
Changes in operating assets and liabilities:		
Contributions receivable	(665,268)	25,248
Contributions receivable, use of facilities	(5,819,214)	3,705
Prepaid expenses	(12,101)	3,476
Inventory	14,865	6,883
Accounts payable and accrued expenses	(3,306)	(4,765)
Net cash provided by operating activities	1,324,160	927,399
Cash flows from investing activities:		
Proceeds from sale of investments	–	200,000
Purchases of investments	(53,929)	(1,306,018)
Purchases of property and equipment	(194,000)	(38,638)
Net cash used in investing activities	(247,929)	(1,144,656)
Net change in cash and equivalents	1,076,231	(217,257)
Cash and equivalents, beginning of the year	736,662	953,919
Cash and equivalents, end of the year	\$ 1,812,893	\$ 736,662

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Central Florida, Inc.
Statement of Functional Expenses
Year ended December 31, 2022

	Program		Supporting Services			Total 2022
	House	Family Room	Management and General	Fundraising	Direct Fundraising Costs	
Salaries	\$ 301,934	\$ 48,720	\$ 64,316	\$ 43,073	\$ —	\$ 458,043
Payroll taxes	23,777	3,836	5,065	3,393	—	36,071
Fringe benefits	16,741	2,702	3,566	2,388	—	25,397
Total salaries and related benefits	342,452	55,258	72,947	48,854	—	519,511
Bank fees	—	—	35,860	—	—	35,860
Depreciation	251,965	—	18,247	14,001	—	284,213
Fundraising supplies	—	—	—	9,993	—	9,993
House improvements	6,599	—	—	—	—	6,599
Program supplies	8,325	722	—	—	—	9,047
Program supplies, donated	127,016	23,527	—	—	—	150,543
Media time, donated	—	—	—	320,000	—	320,000
Insurance	19,450	3,242	4,126	2,651	—	29,469
Interest	—	—	23	—	—	23
Office supplies	17,462	2,040	3,820	1,673	—	24,995
Postage and printing	—	—	474	4,003	—	4,477
Professional development	5,790	—	—	—	—	5,790
Professional fees	16,834	2,804	45,922	2,293	—	67,853
Rent, land	12,448	—	691	691	—	13,830
Rent, building	72,738	—	4,041	4,041	—	80,820
Repairs and maintenance	9,902	5	550	550	—	11,007
Utilities	48,467	—	2,693	2,692	—	53,852
Miscellaneous	—	—	—	501	—	501
Capital campaign expense	—	—	2,032	—	—	2,032
Bad debt – use of facilities, land	—	—	190,829	—	—	190,829
Direct fundraising costs	—	—	—	—	229,248	229,248
Total expenses	939,448	87,598	380,223	413,975	229,248	2,120,492
Less: Direct fundraising costs	—	—	—	—	(229,248)	(229,248)
Total expenses per Statement of Activities	\$ 939,448	\$ 87,598	\$ 380,223	\$ 413,975	\$ —	\$ 1,821,244

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Central Florida, Inc.
Statement of Functional Expenses
Year ended December 31, 2021

	Program		Supporting Services			Total 2021
	House	Family Room	Management and General	Fundraising	Direct Fundraising Costs	
Salaries	\$ 260,227	\$ 41,990	\$ 55,432	\$ 37,123	\$ —	\$ 394,772
Payroll taxes	20,954	3,381	4,464	2,990	—	31,789
Fringe benefits	17,491	2,823	3,726	2,495	—	26,535
Total salaries and related benefits	298,672	48,194	63,622	42,608	—	453,096
Bank fees	—	—	19,595	—	—	19,595
Depreciation	59,350	—	4,298	3,298	—	66,946
Fundraising supplies	—	—	—	26,215	—	26,215
House improvements	2,190	—	—	—	—	2,190
Program supplies	6,493	563	—	—	—	7,056
Program supplies, donated	195,774	10,304	—	—	—	206,078
Insurance	17,021	2,837	3,611	2,320	—	25,789
Office supplies	12,136	1,418	2,655	1,163	—	17,372
Postage and printing	—	—	426	3,600	—	4,026
Professional development	3,357	—	—	—	—	3,357
Professional fees	15,587	2,596	42,522	2,123	—	62,828
Rent, land	12,448	—	691	691	—	13,830
Repairs and maintenance	12,955	7	720	720	—	14,402
Utilities	39,201	—	2,178	2,177	—	43,556
Miscellaneous	—	—	—	620	—	620
Direct fundraising costs	—	—	—	—	163,812	163,812
Total expenses	675,184	65,919	140,318	85,535	163,812	1,130,768
Less: Direct fundraising costs	—	—	—	—	(163,812)	(163,812)
Total expenses per Statement of Activities	\$ 675,184	\$ 65,919	\$ 140,318	\$ 85,535	\$ —	\$ 966,956

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

1. Nature and purpose of the Organization

Ronald McDonald House Charities of North Central Florida, Inc. (the Organization) is a nonprofit corporation organized under the Florida Not-For-Profit Corporation Act. The mission of the Organization is to provide temporary housing, basic amenities and support to families with critically ill children being treated at area medical facilities. The Organization operates a Ronald McDonald House and a Family Room at UF Shands Children's Hospital located in Gainesville, Florida.

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates and such differences could be material.

Cash and Cash Equivalents

Cash consists of deposits in financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures institutions up to \$250,000 per depositor. Cash balances may exceed the FDIC insurable limits at times throughout the year. The Organization has not experienced any losses on its cash and cash equivalents in the past. Management does not consider this a significant concentration of credit risk.

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

Contributions Receivable

Receivables include promises to give (pledges) of supplies and donations receivable collected for the Organization by third-parties. There are no identifiable concentrations of credit risk related to these amounts. The Organization records receivables at net realizable value using the allowance method. No allowance was recorded as of December 31, 2022 and 2021 for estimated uncollectible contributions receivable.

Investments

Investments are reported at fair value. The Organization invests in money market, equity and fixed income mutual funds with readily determinable fair values. The fair value of investments is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Property and Equipment

Property and equipment expenditures in excess of \$500 are recorded at cost when purchased or, if donated, at estimated fair value. Improvements that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives that range from five to thirty-nine years.

Management reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the assets to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. The Organization has not recognized any impairment on its property and equipment.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Gifts of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled.

Revenue Recognition

Contributions, general – Contributions are recognized as revenue when received or when unconditionally pledged and are recorded at their estimated fair values.

Contributions, with donor restrictions – Contributions are considered to be available for use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Amounts restricted for future periods or restricted by the donor for specific purposes are reported as activity with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions, non-cash – The Organization receives in-kind contributions from private donors and from UF Health Shands Hospital. These in-kind donations include property improvements, household and cleaning supplies, tote bags, gift cards and food. Donations are generally used for the Organization’s activities in the year of the donation. Unless otherwise noted, contributed nonfinancial assets did not have donor imposed restrictions.

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

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.

Contributions, Services – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization receives services from volunteers which do not meet the criteria above. No donated services were recorded for the years ended December 31, 2022 and 2021. Volunteers provide assistance in a variety of the activities of the Organization.

Contributions, Media Time – Donated media time is recorded as a contribution when the Organization has a significant role in determining and managing the message. The Organization received \$320,000 of contributions in 2022 from public service announcements, which were recorded at the estimated fair value if such media time had been purchased.

Change in Accounting Principles

In 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of activities and disclosures within the notes to the financial statements about the valuation method for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity. These Organization functions are defined below:

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

Program Services – The Organization has two programs:

- *House* – costs associated with operation of the Ronald McDonald House in Gainesville, Florida
- *Family Room* – costs associated with the Family Room at UF Health Shands Children's Hospital.

Management and General – The costs of operating the Organization's affairs which are not allocable to other functional areas.

Fundraising – The costs associated with soliciting contributions.

Direct Fundraising Costs – The costs associated with holding fundraising events for the benefit of the Organization.

Fair Value of Financial Instruments

The fair value of financial instruments is measured as the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs corroborated by market data.
- Level 3: Unobservable inputs not corroborated by market data.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and equivalents, contributions receivable, prepaid expenses, inventory, accounts payable and accrued

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

expenses. The Organization's investments are valued at quoted market prices and are classified as Level 1 financial instruments.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes 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 federal returns are subject to examination by the IRS, generally for three years after they were filed. The Organization is no longer subject to IRS examination for tax years prior to 2019.

Endowment Funds

Generally accepted accounting principles define an endowment fund as an established fund of cash, securities or other assets to provide income for the maintenance of a not-for-profit organization (NPO). The use of the assets of the fund may be permanently or temporarily restricted based on the presence or absence of donor restrictions, or the provisions of state law. In addition, the Board of an NPO may earmark a portion of its unrestricted net assets as a board-designated endowment to be invested to provide income for the NPO's operations and programs.

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) to require investment earnings in excess of the fair value of the original gift to be treated as net assets with donor restrictions until spent. However, amounts spent in the same year are reported as unrestricted revenue. See Note 9 for further endowment information.

3. Inventory

The Organization has received multiple donations of tote bags. The bags are valued at \$30 each and are distributed to house guests. The Organization had 0 and 661 tote bags as of December 31, 2022 and 2021, respectively. The remainder of the inventory consists of gift cards.

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

4. Investments

The Organization holds the majority of its funds in Midland Bank as part of the Ronald McDonald House Charities Investment Program, also known as McCIP. The following table summarizes the fair values of investments:

<i>December 31,</i>	2022	2021
Cash and money market	\$ 302,956	\$ 298,340
Stock	10,476	10,404
Fixed income mutual funds	637,676	726,819
Equity mutual funds	1,012,924	1,318,024
Total	\$1,964,032	\$2,353,587

The cash and money market investments are deposits in financial institutions insured by the FDIC.

Investments are classified on the Statement of Financial Position as:

<i>December 31,</i>	2022	2021
Investments, without donor restriction	\$ 1,304,032	\$ 1,693,587
Investments, with donor restriction	660,000	660,000
Total	\$ 1,964,032	\$ 2,353,587

The composition of the investment return reported in the Statement of Activities is as follows:

<i>Year ended December 31,</i>	2022	2021
Interest and dividends	\$ 57,124	\$ 106,621
Realized and unrealized gains (loss)	(443,161)	7,600
	\$ (386,037)	\$ 114,221

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

5. **Property and Equipment**

Property and equipment consists of the following:

<i>Year ended December 31,</i>	2022	2021
Building and improvements	\$ 2,896,450	\$ 2,702,450
Furniture and equipment	613,621	613,621
	3,510,071	3,316,071
Less accumulated depreciation	(2,362,637)	(2,078,423)
Property and Equipment, Net	\$ 1,147,434	\$ 1,237,648

6. **Contributions Receivable - Land**

The Organization's current facilities are located on land owned by the University of Florida. The land is leased to the Organization for \$1 per year until 2048, at which time the building and all capital improvements revert to the University of Florida.

At the signing of the lease, the Organization recorded the fair value of the contribution and a corresponding contribution receivable. The fair value of the donation was calculated by discounting the estimated annual fair rental value of \$13,830 for forty years using a discount rate of 5%.

In November 2022, the Organization entered into a sublease for a new facility (Note 7 below) and therefore will be ending its current lease in August 2023. In 2022, the Organization recorded \$190,829 in bad debt expense to write off the contribution receivable from this lease.

7. **Contributions Receivable – Land and Building**

In November 2022, the Organization entered into a lease from the University of Florida for a new facility owned by the University of Florida. The land and building is leased to the Organization for \$1 per year through November 2042, at which time the building and capital improvements revert to the University of Florida.

Upon the execution of the lease, the Organization recorded the fair value of the contribution and a corresponding contribution receivable. The fair value of the donation was calculated

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

by discounting the estimated annual fair rental value of \$484,920 for twenty years using a discount rate of 5%.

The contribution receivable is reduced as the lease progresses and increased by an annual discount amortization. Annual discount amortization is reported as non-cash contribution revenue in the statement of activities.

8. Transactions with Related Entities

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2022 and 2021, the Organization received \$130,070 and \$22,229 respectively, from these revenue streams.

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

<i>Year ended December 31,</i>	2022	2021
Subject to the passage of time:		
Use of land and building	\$6,013,933	\$ –
Use of land	4,085	198,804
Promises to give, house supplies	15,619	20,625
Promises to give, capital campaign	669,200	–
Endowments:		
Earnings subject to expenditure when a specified event occurs	660,000	660,000
Total	\$7,362,837	\$879,429

Releases of net assets with donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

<i>Year ended December 31,</i>	2022	2021
Land use	\$ 3,890	\$ 3,705
Building use	29,067	–
House supplies	5,006	73,383
Total	\$37,963	\$77,088

10. Endowment Funds

The Organization's endowments, which are included in net assets with donor restrictions, consist of the following:

<i>December 31,</i>	2022	2021
Kroc Endowment	\$514,585	\$514,585
Altoonjian Endowment	50,000	50,000
Plein Endowment	60,000	60,000
Other Endowments	35,415	35,415
Total	\$660,000	\$660,000

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

In 1993, the Organization received 10,000 shares of McDonald's Corporation stock donated by Mrs. Joan Kroc (Kroc Endowment). The stock value was \$514,585 when it was sold soon after receipt. The provisions of the gift require that the principal be maintained inviolate and in perpetuity, and only the income from the fund may be used for operating expenses.

Endowment funds generate unrestricted income for operations. The Organization does not have a policy for the appropriation of earnings.

The Endowment Fund is classified into the net asset categories based on the presence or absence of donor-imposed restrictions and the application of FUPMIFA. The changes in endowment fund balances by net asset class are as follows:

<i>As of December 31,</i>	Without Donor Restriction	With Donor Restriction	Totals
Balance – December 31, 2020	\$ 484,486	\$660,000	\$1,144,486
Interest/Dividends	103,621	–	103,621
Gains	7,121	–	7,121
Deposits	500,000	–	500,000
Balance – December 31, 2021	\$1,095,228	\$660,000	\$1,755,228
Interest/Dividends	57,124	–	57,124
Gains	(433,161)	–	(433,161)
Deposits	–	–	–
Balance – December 31, 2022	\$ 709,191	\$660,000	\$1,369,191

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted FUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Organization had no underwater endowments as of December 31, 2022 and 2021.

Ronald McDonald House Charities of North Central Florida, Inc.

Notes to financial statements December 31, 2022 and 2021

11. Liquidity

The Organization's financial assets as of December 31, 2022 and available within one year of the balance sheet date for general expenditure are as follows:

<i>December 31,</i>	2022
Cash and equivalents	\$ 1,812,893
Contributions receivable	702,769
Investments, without donor restrictions	1,304,033
	<u>\$ 3,819,695</u>

The Organization's investments include endowment funds of \$660,000 with donor restrictions as of December 31, 2022. Those funds are not readily available for general expenditure. Investment income generated from the endowment is available for expenditure.

12. Retirement Plan

The Organization offers employees a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees. Contributions to the plan are at the discretion of the board of directors. The Plan was terminated in 2021.

13. Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through July 10, 2023, which is the date the financial statements were available to be issued.