



RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION AND AFFILIATES

Consolidated Financial Statements

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)



**and
Report Thereon**



**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATES**

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For the Year Ended December 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House Charities Philadelphia Region and Affiliates

Opinion

We have audited the consolidated financial statements of Ronald McDonald House Charities Philadelphia Region and its affiliates PRMH, Inc. and PRMH Equipment, Inc., (collectively referred to as RMHC-PHI), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RMHC-PHI as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RMHC-PHI 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 RMHC-PHI'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 consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RMHC-PHI'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.

Other Matter

Report on Summarized Comparative Information

We have previously audited RMHC-PHI's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
April 30, 2024

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023

(With Summarized Financial Information as of December 31, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,194,544	\$ 1,406,467
Cash – restricted	99,546	191,404
Investments	5,397,023	4,831,544
Pledges and contributions receivable, net	1,137,794	1,264,517
Inventory	11,278	15,282
Prepaid expenses and other assets	101,372	114,894
Notes receivable	16,436,200	16,436,200
Property and equipment, net	54,580,488	56,641,305
TOTAL ASSETS	\$ 78,958,245	\$ 80,901,613
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,107,368	\$ 732,151
Deferred revenue	15,000	-
Line of credit	2,524,674	3,019,674
Notes payable	23,525,000	23,525,000
TOTAL LIABILITIES	27,172,042	27,276,825
Net Assets		
Without donor restrictions	49,397,636	51,698,898
With donor restrictions	2,388,567	1,925,890
TOTAL NET ASSETS	51,786,203	53,624,788
TOTAL LIABILITIES AND NET ASSETS	\$ 78,958,245	\$ 80,901,613

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
OPERATING REVENUE AND SUPPORT				
Public support:				
Grants and contributions	\$ 5,771,269	\$ 1,587,293	\$ 7,358,562	\$ 8,285,988
Telethon revenue	754,284	-	754,284	901,221
Special event revenue	1,061,866	-	1,061,866	973,403
Cost of direct benefit to donors	(342,660)	-	(342,660)	(355,636)
Special event revenue, net	719,206	-	719,206	617,767
Donated goods and services	831,958	-	831,958	322,438
Program service revenue:				
Guest fees, net	365,065	-	365,065	348,181
Other	56,412	-	56,412	51,185
Investment income, net	321,062	44,283	365,345	251,765
Net assets released from time restrictions	212,500	(212,500)	-	-
Net assets released from program restrictions	986,430	(986,430)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	10,018,186	432,646	10,450,832	10,778,545
OPERATING EXPENSES				
Program Services:				
House	9,912,867	-	9,912,867	10,138,092
Camp	380,884	-	380,884	287,209
Family rooms	113,418	-	113,418	54,581
Care mobile	100,000	-	100,000	100,000
Total Program Services	10,507,169	-	10,507,169	10,579,882
Supporting Services:				
Fundraising	1,630,848	-	1,630,848	1,275,255
Administration	722,969	-	722,969	702,467
Total Supporting Services	2,353,817	-	2,353,817	1,977,722
TOTAL OPERATING EXPENSES	12,860,986	-	12,860,986	12,557,604
Change in Net Assets From Operations	(2,842,800)	432,646	(2,410,154)	(1,779,059)
Other Items				
Interest income from note receivable	165,414	-	165,414	165,414
Revenue on ground lease and interest	870	-	870	2,195
Unrealized gain (loss) on investments	375,254	30,031	405,285	(1,222,522)
Employee retention tax credit disallowed	-	-	-	(266,907)
CHANGE IN NET ASSETS	(2,301,262)	462,677	(1,838,585)	(3,100,879)
NET ASSETS, BEGINNING OF YEAR	51,698,898	1,925,890	53,624,788	56,725,667
NET ASSETS, END OF YEAR	\$ 49,397,636	\$ 2,388,567	\$ 51,786,203	\$ 53,624,788

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Program Services				Supporting Services			2023 Total	2022 Total	
	House	Camp	Family Rooms	Care Mobile	Total Program Services	Fundraising	Administration			Total Supporting Services
Salaries and wages	\$ 2,340,937	\$ 65,142	\$ 80,557	\$ -	\$ 2,486,636	\$ 950,166	\$ 383,763	\$ 1,333,929	\$ 3,820,565	\$ 3,298,818
Depreciation	2,139,320	-	2,322	-	2,141,642	-	-	-	2,141,642	2,126,437
Donated goods and services	670,975	16,168	-	-	687,143	153,574	-	153,574	840,717	302,255
Grants and contributions	690,756	-	-	100,000	790,756	-	-	-	790,756	2,517,496
Guest meals and assistance	560,049	153,882	10,898	-	724,829	-	-	-	724,829	499,426
Building maintenance and repair	620,114	-	-	-	620,114	-	-	-	620,114	397,012
Contractors and consultants	456,055	103,269	-	-	559,324	-	3,306	3,306	562,630	494,310
Bank fees	444,954	-	-	-	444,954	884	94,886	95,770	540,724	523,150
Public relations	258,382	14,115	-	-	272,497	227,590	15,851	243,441	515,938	346,772
Employee benefits	190,308	5,163	3,843	-	199,314	96,438	33,232	129,670	328,984	389,852
Payroll taxes	175,784	4,696	5,973	-	186,453	69,992	28,622	98,614	285,067	249,266
Technology, hardware and equipment	185,687	2,812	612	-	189,111	55,712	32,233	87,945	277,056	226,678
Supplies	254,579	5,717	3,947	-	264,243	-	-	-	264,243	264,301
Parking and transportation	202,521	804	-	-	203,325	-	-	-	203,325	116,162
Utilities	197,777	-	-	-	197,777	-	-	-	197,777	183,700
Insurance	184,483	446	587	-	185,516	3,311	-	3,311	188,827	166,562
Professional fees	86,289	-	-	-	86,289	-	82,505	82,505	168,794	191,298
Miscellaneous expense	137,351	1,544	3,458	-	142,353	1,525	13,419	14,944	157,297	109,380
Auto expense	76,936	-	-	-	76,936	-	-	-	76,936	65,379
Travel and entertainment	16,763	2,995	450	-	20,208	23,955	29,403	53,358	73,566	46,255
Education, licensing and dues	2,353	1,834	-	-	4,187	32,715	4,353	37,068	41,255	16,035
Postage and delivery	5,381	2,297	-	-	7,678	12,122	264	12,386	20,064	14,587
Office supplies and equipment	12,906	-	771	-	13,677	2,196	1,132	3,328	17,005	11,405
Printing and stationery	2,207	-	-	-	2,207	668	-	668	2,875	1,068
Total Expenses by Function	9,912,867	380,884	113,418	100,000	10,507,169	1,630,848	722,969	2,353,817	12,860,986	12,557,604
Cost of direct benefit to donors	-	-	-	-	-	342,660	-	342,660	342,660	355,636
TOTAL EXPENSES INCLUDED ON THE STATEMENT OF ACTIVITIES	\$ 9,912,867	\$ 380,884	\$ 113,418	\$ 100,000	\$ 10,507,169	\$ 1,973,508	\$ 722,969	\$ 2,696,477	\$ 13,203,646	\$ 12,913,240

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,838,585)	\$ (2,833,972)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,141,642	2,126,437
Realized gain on investments	(237,414)	(140,099)
Unrealized (gain) loss on investments	(405,285)	1,222,522
Contributions restricted for long-term capital project	(132,037)	(1,469,608)
Changes in assets and liabilities:		
Employee retention credit receivable	-	531,871
Pledges receivable	126,723	145,388
Inventory	4,004	2,384
Prepaid expenses and other assets	13,522	(245,258)
Accounts payable and accrued expenses	375,217	(130,921)
Deferred revenue	15,000	(42,500)
	<u>62,787</u>	<u>(833,756)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,851,035	2,096,364
Purchases of investments	(3,773,815)	(2,023,926)
Purchase of property and equipment	(80,825)	(202,430)
	<u>(3,605)</u>	<u>(129,992)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term capital project	132,037	1,469,608
Proceeds from line of credit	-	150,350
Repayments on line of credit	(495,000)	(2,768,872)
	<u>(362,963)</u>	<u>(1,148,914)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(303,781)	(2,112,662)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,597,871</u>	<u>3,710,533</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,294,090</u>	<u>\$ 1,597,871</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 445,733</u>	<u>\$ 435,494</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 1,194,544	\$ 1,406,467
Cash – restricted	99,546	191,404
	<u>\$ 1,294,090</u>	<u>\$ 1,597,871</u>

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023**

1. Organization and Summary of Significant Accounting Policies

Philadelphia Ronald McDonald House (RMH) was incorporated in Pennsylvania on May 8, 1974, as a nonprofit organization for the purpose of supporting families of seriously ill children by creating a community of comfort and hope. On January 1, 2019, RMH signed an agreement with Ronald Mc Donald House Charities of the Philadelphia Region, Inc., a nonprofit organization who shared the mission and is registered in Pennsylvania, to merge with RMH with RMH continuing as the surviving organization with a new name Ronald McDonald House Charities Philadelphia Region. The major sources of revenue are corporate and individual donors as well as events.

In April 2017, RMH formed a wholly controlled support corporation, PRMH, Inc., a 501(c)(3) nonprofit corporation incorporated in the Commonwealth of Pennsylvania. PRMH, Inc. was established as part of a New Markets Tax Credit (NMTC) financing transaction for the RMH Expansion Project to act as a leverage lender, facilitating RMH's ability to participate in the NMTC program. PRMH, Inc. was created to raise funds for the support and benefit of, and to carry out the purposes of, RMH which may include funds for capital expenditures, other financial purposes, and to manage and invest such funds for the benefit of RMH. These activities are funded primarily through grants and contributions.

In August 2020, RMH formed a wholly controlled support corporation, PRMH Equipment, Inc., a 501(c)(3) nonprofit corporation incorporated in the Commonwealth of Pennsylvania. PRMH Equipment, Inc. was established as part of a New Markets Tax Credit (NMTC) financing transaction for the equipment portion of the RMH Expansion Project to act as a leverage lender, facilitating RMH's ability to participate in the NMTC program. PRMH Equipment, Inc. was created to raise funds for the support and benefit of, and to carry out the purposes of, RMH which may include funds for capital expenditures, other financial purposes, and to manage and invest such funds for the benefit of RMH. These activities are funded primarily through grants and contributions.

RMH, PRMH, Inc., PRMH Equipment, Inc., are collectively referred to as RMHC-PHI.

Programs

House Program

Two Ronald McDonald Houses, together serving up to 147 families each night, offer holistic support and lodging to families traveling 25 miles or further to Philadelphia to receive medical care for their seriously ill children. Founded as the first Ronald McDonald House in the world, RMHC-PHI is the model for more than 375 Houses in 65 countries and regions around the globe and has supported thousands of families in more than 45 years of operation.

Since opening, the flagship House – located at 3925 Chestnut Street – grew to 72,000 square feet to accommodate a total of 45 families each night in 1995; in 2008, RMHC-PHI opened a second 27,000-square-foot, three-story home with 20 bedrooms located at 100 E. Erie Avenue to meet the expanding need for services throughout the City of Philadelphia. RMHC-PHI has recently expanded the Chestnut Street location by 98,364 square feet with 82 additional bedrooms to address the increasing demand for services. Construction of the new facility began in the summer of 2017 and concluded in early 2020.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

House Program (continued)

The Houses offer families a comfortable and secure room, daily home-cooked meals, a 24-hour food pantry, complimentary transportation around the city, free parking, and laundry facilities – all just minutes from the hospital. The Houses also offer TV lounges, indoor and outdoor play spaces, exercise rooms, family activities, loaner laptop computers and Wi-Fi, and social worker assistance. Additionally, the Houses offer the support of other families who understand what it is like to have a seriously ill child. While it costs RMHC-PHI more than \$160 per night to provide these services, families are asked to pay \$25 per night. However, many of the families are so financially devastated by their child's illness (as a result of treatment costs, job loss or leave, traveling, and paying expenses at home) that their fee is waived or reduced; no one is ever turned away due to inability to pay.

Families traveling from 25 miles away or further for medical care at Philadelphia hospitals are eligible to stay at the Houses, and children must be under the age of 21 and in active treatment. In 2023, RMHC-PHI's two Houses combined had 1,930 family stays with families traveling from 48 states, 43 countries and 2 U.S. territories; 34.3% of families traveled from within Pennsylvania. The average length of stay was 15 days, with the longest length of stay for one family totaling 365 consecutive days during 2023.

While RMHC-PHI serves families whose children are being treated for an array of illnesses, the top departments in 2023 were orthopedics, oncology, neonatology, cardiology, and neurology. Each year, RMHC-PHI's hospital partners include Children's Hospital of Philadelphia (CHOP), St. Christopher's Hospital for Children, Shriners Hospital, Wills Eye Hospital, the Hospital of the University of Pennsylvania and others.

Volunteers are truly the heart of the Houses and RMHC-PHI relies on the dedicated service of more than 285 regularly scheduled volunteers to create a home for the families it serves. Volunteers staff the front desk, drive the shuttle vans and support operations in a variety of other capacities.

RMHC-PHI awarded grant funds to an external organization to produce a film entitled "Audrey's Children," which is about the life of our organization's visionary and co-founder, Dr. Audrey Evans. Grant monies were used to directly fund the expenses associated with filming the scenes around the opening of the Ronald McDonald House and costs associated with the Audrey Evans actor. Grant monies were received by donors for film production and the amount awarded was \$1,670,876 and \$73,244, for the year ended December 31 2022 and 2023, respectively, and is included in grants and contributions on the statement of functional expenses within the House program expenses.

Camp Program

Ronald McDonald Camp (RMC) enables children with cancer and their siblings to experience the joys of summer camp. Created by RMH co-founder Dr. Audrey E. Evans in 1986, this one-week camp was one of the very first of its kind to offer a camp experience specifically designed

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

Camp Program (continued)

for children with cancer and their siblings. RMC, held annually in the Pocono Mountains of Pennsylvania, includes all of the activities found at a traditional overnight summer camp, such as swimming, sailing, hiking, sports, arts and crafts, yoga, and rope courses, except that, at this camp, campers can participate no matter what limitations they have. For many campers, the week at camp is the first time they have ever tried the activities offered, and they go home not only having discovered a new talent or learned a new skill, but having gained a sense of self-confidence. For children who have felt isolated from their peers through their illness, and siblings who have felt left out, camp is also an opportunity to join a family of campers who can relate to one another, and to develop a wide-reaching support network that will last long after the week of camp is over.

Children ages 7 to 17 (including current or former cancer patients and one sibling) are welcome at camp and are divided by age into junior and senior camps. More than 100 fully-trained volunteer counselors (many of whom are cancer survivors and past campers) and a full team of over a dozen medical staff, including pediatric oncologists, nurses and social workers from CHOP, volunteer their time over the summer to make camp possible.

In 2023, RMHC-PHI hosted two weeks of RMC for children with cancer and their siblings with primary goals of keeping campers safe and providing an inclusive community of fun where campers can experience engaging activities like any other kid.

A week of virtual camp was held in July for 22 campers whose medical conditions did not allow for in person attendance. RMHC-PHI staff and camp volunteers held RMC virtually on the Zoom platform and utilized a password protected portal for campers and families to access daily activities and evening entertainment. Each camper received a camper activity package prior to camp which contained a camp t-shirt, supplies for activities throughout the week, an instructions for accessing all online camp programming. Camper groups participated daily in small group cabin time, age-appropriate activities, and learned about industries with behind-the-scenes looks with professionals. In the evenings, campers and counselors logged on for all camp activities with special guests, games, and the much-loved dance party.

In August, 136 campers and three participants in a Young Adult Leadership Program returned to in person camp programming for a week at a campground in the Pocono Mountains. RMHC-PHI coordinated with healthcare partners to ensure a safe return to in person activities which prioritized immunocompromised camper health. Campers and counselors were required to be vaccinated, comply with pre-camp testing, and the majority of activities were done outdoors. 122 volunteers took part as counselors, activity specialists, and medical team members to make these weeks of Camp possible. This summer, the Camp also received the highest marks on the accreditation process through the American Camping Association, the standard camp excellence.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

Camp Program (continued)

While there is no charge to the patient campers, siblings traditionally can attend for a nominal fee of \$150. In 2023, sibling fees totaled \$6,050. Funding for the week is provided solely through the contributions of individuals and organizations. Ronald McDonald Camp is accredited through the American Camp Association (ACA) and is a member of the Children's Oncology Camping Association, International (COCA). Ronald McDonald Camp, when held in-person, is held at the Camp Timber Tops facility in Greeley, Pennsylvania.

Family Room Program

Three Ronald McDonald Family Rooms – two at CHOP and one at St. Christopher's Hospital for Children – extend the comfort and support of the Houses into the hospital by offering a quiet place to rest and recharge away from the bedside for families whose children are receiving treatment. The first Family Room at CHOP opened in the Oncology Unit in 2006. This Family Room is open 24 hours a day, seven days a week including holidays; any patient and his/her family in one of the combined total of 50 patient beds on the Oncology Unit may use the Family Room. In March of 2017, RMHC-PHI opened a Family Room at St. Christopher's Hospital for Children to serve the Critical Care Tower. This Family Room serves up to 65 beds a night. In 2018, RMHC-PHI opened a second Family Room at CHOP's Seashore House.

The Family Rooms offer a range of complimentary amenities and programming in a warm, home-like environment. A central pillar of these services is the meal program which, thanks to the generosity of donors, provides families with breakfast and dinner at scheduled times throughout the week at the family-style dining tables located in the rooms. Snacks, coffee and tea are also available to families through the program. Other amenities include comfortable seating, kitchen facilities, televisions, DVD players (with an assortment of movies), books and magazines. The Oncology Family Room also offers laundry facilities and a guest bathroom. Programming in Family Rooms includes complimentary haircuts, yoga instruction, stress management workshops, art therapy, crafts and a variety of other activities.

The Family Rooms serve families traveling from both near and far. Families coming from 25 miles away or farther and staying at Philadelphia Ronald McDonald House in the evening are able to take a break in the rooms during the day, and families residing closer than 25 miles who do not wish to leave their child's side due to age or severity of illness can utilize the rooms as much as needed.

The Ronald McDonald Care Mobile (RMCM)

The Ronald McDonald Care Mobile (RMCM) program provides access to pediatric medical, dental and/or health education services for children living in underserved communities. The RMCM program is breaking down the barriers to health care, expanding critical health care access and extending the Charity's reach to countless underserved children. The RMCM program serves children that are at great risk to develop acute conditions, dental problems,

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

The Ronald McDonald Care Mobile (RMCM) (continued)

chronic diseases and even serious lifelong illnesses. Through partnerships with St. Christopher's Foundation for Children, RMHC-PHI is bringing critical dental services to under-insured or un-insured children right in their own neighborhood through onsite visits at schools, head start programs and homeless shelters.

In 2023, the RMCM visited 47 unique site locations and provided dental education and care to 1673 children. The RMCM provided this vital care and education for a total of 219 days.

Basis of Accounting

RMHC-PHI prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Principles of Consolidation

RMH, PRMH, Inc. and PRMH Equipment, Inc. have been consolidated due to the presence of effective control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All intra-entity balances and transactions between RMH, PRMH, Inc. and PRMH Equipment, Inc. have been eliminated in consolidation.

Cash and Cash Equivalents

RMHC-PHI classifies all highly liquid investments with original maturities of less than 90 days as cash equivalents. Cash and cash equivalents include demand deposits and money market funds. Restricted cash includes a loan reserve established for payment of the servicing fee in compliance with the notes payable agreements.

Investments

Investments consist of mutual funds, exchange-traded funds and money market funds. These investments are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Realized gains or losses on sales of investments are recorded on the trade dates of the transactions. Unrealized gains or losses on investments are determined by the change in fair value between the beginning and end of the reporting period. All such gains and losses, interest, and dividends are included in investment income in the consolidated statement of activities, net of investment management fees.

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, RMHC-PHI has categorized its applicable financial

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1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that RMHC-PHI has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2023, only RMHC-PHI's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Pledges and Contributions Receivable

Pledges and contributions receivable consist of unconditional promises to give to RMHC-PHI. Unconditional promises to give are recorded at their present net realizable value. For those due in more than one year, fair value is estimated by discounting estimated future cash flows at rates approximating the current rate for risk-free returns. Management determines the allowance for doubtful pledges by reviewing all outstanding pledges for possible uncollectibility. Pledges are charged to the allowance account when deemed uncollectible.

Inventory

Inventory is stated at net realizable value on a first-in, first-out basis and consists of clothing, aprons, backpacks, books, hats, pins and tote bags.

Property and Equipment and Related Depreciation

Land, buildings, building improvements, furniture, fixtures and equipment, and construction in progress are recorded at cost. Donated property is recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: five to 35 years for the building and improvements and 3 to 10 years for furniture, fixtures and equipment. Construction in progress is not depreciated until the construction is completed and the asset is placed in service. Expenditures for major repairs and improvements are

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1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation (continued)

capitalized, while expenditures for minor repairs and maintenance costs are expensed when incurred. RMHC-PHI capitalizes all fixed assets greater than \$3,000 and an economic life in excess of one year. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying consolidated statement of activities.

Impairment of Long-Lived Assets

RMHC-PHI reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended December 31, 2023.

Classification of Net Assets

The net assets of RMHC-PHI are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of RMHC-PHI at the discretion of RMHC-PHI's management and the Board of Directors (the Board). The Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods. Net assets with donor restrictions also represent endowment gifts requiring that the principal be invested in perpetuity and that only the investment income be expended for purposes designated by the donor.

Revenue Recognition

Contributions and Grants

RMHC-PHI recognizes all unconditional contributed support in the period in which the commitment is made. RMHC-PHI reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional contributed support that is expected to be collected within one year is recorded at its net realizable value. Unconditional contributed support that is expected to be collected after one year is recorded at the present value of its estimated future cash flows discounted back to present value using the appropriate discount rates. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributed support to which the discount relates.

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1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions and Grants (continued)

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Donated Goods and Services

Nonfinancial contributions (gifts-in-kind) are recognized as both support and revenue and expenses in the accompanying consolidated statement of activities at the estimated fair value at the date of donation. In-kind contributions include donated professional services and goods.

Sponsorship Revenue

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

Special Event Revenue – Ticket Sales

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

Deferred Revenue

Income from event sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized in the period to which the sponsorship relate.

Volunteers

Many volunteers, including members of the Board, have made significant contributions of time in furtherance of RMHC-PHI's policies and programs. The value of this contributed time does not meet the criteria for recognition and, therefore, is not reflected in the consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to specific functional areas of RMHC-PHI are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. The shared costs are allocated based on a time study which is done annually as part of the budgeting process.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Measure of Operations

Income from investments, including realized gains and losses on investment transactions, is considered to be revenue generated from operations. Unrealized gains or losses recognized from the change in the fair value of investments are not considered to be from operations until such time as those gains or losses are realized through investment sale transactions. In addition, interest income from notes receivable, net assets released for long-term capital projects, and equipment are not considered to be from operations.

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the FASB) issued guidance (FASB ASC 326), Current Expected Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the organization that are subject to the guidance in FASB ASC 326 were notes receivable.

RMHC-PHI adopted the standard effective January 1, 2023. The adoption had no impact to the financial statements.

2. Pledges and Contributions Receivable

Pledges and contributions receivable consist of unconditional promises to give made by individuals and foundations. As of December 31, 2023, pledges and contributions receivable were due as follows:

Due in less than one year	\$ 987,472
Due in one to five years	<u>161,360</u>
Total Pledges and Contributions Receivable	1,148,832
Less: Present Value Discount (3.25% – 5.50%)	<u>(11,038)</u>
Pledges and Contributions Receivable, Net	<u>\$ 1,137,794</u>

All amounts were deemed to be fully collectible as of December 31, 2023.

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3. Investments and Fair Value Measurement

The following table summarizes RMHC-PHI's investments measured at fair value on a recurring basis as of December 31, 2023, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Exchange-traded funds:				
Equity funds	\$ 3,467,612	\$ 3,467,612	\$ -	\$ -
Fixed-income funds	232,566	232,566	-	-
Mutual funds:				
Fixed-income funds	1,344,696	1,344,696	-	-
Equity funds	157,971	157,971	-	-
Money market funds	<u>194,178</u>	<u>194,178</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 5,397,023</u>	<u>\$ 5,397,023</u>	<u>\$ -</u>	<u>\$ -</u>

Exchange-traded funds, mutual funds and money market funds are Level 1 investments and are valued at the net asset value of shares held at year-end. The funds have readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

4. Property and Equipment

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

Buildings and building improvements	\$ 65,752,189
Land	1,232,928
Equipment and furniture	<u>2,164,143</u>
Total Property and Equipment	69,149,260
Less: Accumulated Depreciation	<u>(14,568,772)</u>
Property and Equipment, Net	<u>\$ 54,580,488</u>

Depreciation expense was \$2,141,642 for the year ended December 31, 2023.

5. New Markets Tax Credit Financing – Notes Receivable and Payable

In April 2017, RMHC-PHI entered into a debt transaction to access additional funds through the New Markets Tax Credit Program (the NMTC Program). These funds were used for the expansion of its 3925 Chestnut Street Building Facility. The NMTC Program permits taxpayers

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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

to claim federal tax credits for making Qualified Equity Investments in a designated Community Development Entity (CDE). The CDE must use substantially all the of the proceeds to make Qualified Low-Income Community Investments (QLICIs). The tax credits are claimed over a seven-year period and equate to 39% of the QLICIs. RMHC-PHI has partnered with an investor, Chase Community Equity LLC (the Equity Investor), a Delaware limited liability company. The Equity Investor contributed \$7,378,000 in equity to the Chase NMTC PRMH Investment Fund, LLC (the Fund), a Delaware limited liability company. In conjunction with the equity investment, RMH (the leverage lender) made a loan of \$15,076,200 to the Fund. In turn, the Fund made equity investments in four CDEs which provided eight loans to PRMH, Inc. totaling \$21,525,000. The loans were made to PRMH, Inc., which is considered a qualified active low-income community business. The QLICI loans have a seven-year compliance period during which no principal can be repaid.

The loan provided by RMH to the Fund bears interest at 1% and matures on June 30, 2037. Interest-only payments are due quarterly commencing on June 15, 2017, and continuing through December 15, 2024. Commencing on March 15, 2025, the quarterly payments will be composed of both principal and interest in the amount of \$321,138, for an annual total of \$1,284,552. For the year ended December 31, 2023, RMH recognized interest income of \$150,762 related to this note receivable, which is included in interest income from the note receivable in the accompanying consolidated statement of activities. There was no accrued interest income as of December 31, 2023.

The loans with each of the CDEs require quarterly interest-only payments at 1.042% per annum until December 5, 2024, starting on June 5, 2017. Thereafter, annual principal payments of \$1,157,575, plus interest at 1.042% per annum, are due until December 1, 2041, if they are not accelerated or otherwise retired by the respective lenders at the end of the compliance period.

For the year ended December 31, 2023, PRMH Inc. incurred interest expense of \$224,291. There was no unpaid interest expense related to these loans as of December 31, 2023.

The loans from the CDEs were as follows:

Lender	Loan	Rate
Commonwealth Corner Stone Group Ltd. XXXV	\$ 4,062,600	1.042%
Commonwealth Corner Stone Group Ltd. XXXV	1,817,400	1.042%
City First Capital 47, LLC	6,693,700	1.042%
City First Capital 37, LLC	2,616,300	1.042%
CNMC Sub-CDE 126, LLC	664,600	1.042%
<i>CNMC Sub-CDE 126, LLC</i>	335,400	1.042%
PIDC-RDC Sub-CDE XV, LP	3,655,300	1.042%
PIDC-RDC Sub-CDE XV, LP	<u>1,679,700</u>	1.042%
Total	<u>\$ 21,525,000</u>	

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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

The loans are secured by all of PRMH Inc.’s revenue, inventory, furniture, fixtures, equipment, other assets, licenses and intangibles, and the deed of trust in PRMH Inc.’s interest in the property (3925 Chestnut Street Building expansion).

The NMTC financing agreement required PRMH Inc. to establish and fund individual fee and expense reserve accounts totaling \$191,063 during the initial year to pay interest and certain annual service fees to the respective CDEs over the seven-year NMTC compliance period. Over the term of the agreement, RMHC-PHI will make the required additional deposits totaling \$363,437 into the accounts. As of December 31, 2023, the balance associated with the reserve accounts totaled \$78,804; it is included in restricted cash in the accompanying consolidated statement of financial position and will be paid over the compliance period as these fees become due and payable.

The construction financing for the RMHC-PHI expansion has various financial covenants, including maintaining certain debt service coverage ratios, minimum liquidity and minimum tangible net worth. In addition to the financial covenants, RMHC-PHI must comply with certain NMTC Program requirements during the seven-year compliance period. As of December 31, 2023, RMHC-PHI was not in compliance with the debt service coverage ratio required by the financial covenants of the agreement and respective NMTC Program requirements. RMHC-PHI received a waiver from the financial institution related to this requirement.

It is anticipated that, after the seven-year NMTC Program compliance period expires in 2024, in accordance with a put and call option agreement, the Equity Investor who owns the Fund will exercise its put option to sell its ownership interest to RMH for a price of \$1,000 or RMH will exercise its call option to buy the Equity Investor’s interest for a pre-determined amount or price equal to the fair value of the investment, and the Fund will be liquidated and its assets distributed to RMH. In conjunction with this event, the Equity Investor will be liquidated and its assets distributed to the Fund. Immediately after the exit transactions are completed, RMH will be the holder of PRMH, Inc.’s notes payable, and, as such, the notes payable will be eliminated in the consolidated financial statements, with the notes payable anticipated to be discharged shortly thereafter.

As of December 31, 2023, the future maturities of the note was as follows:

For the Year Ending <u>December 31,</u>	
2024	\$ 110,000
2025	1,157,575
2026	1,169,685
2027	1,181,921
2028	1,194,284
Thereafter	<u>16,711,535</u>
Total	<u>\$21,525,000</u>

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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

In October 2020, RMHC-PHI entered into a debt transaction to access additional funds through the New Markets Tax Credit Program (the NMTC Program). These funds were used for the equipment related to the expansion of its 3925 Chestnut Street Building Facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments in a designated Community Development Entity (CDE). The CDE must use substantially all the of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equate to 39% of the QLICs. RMHC-PHI has partnered with an investor, Truist Community Capital, LLC (the 2020 Equity Investor), a Maryland limited liability company, to utilize the the NMTC Program. The 2020 Equity Investor contributed \$2,000,000 in equity to the RMH Philly Investment Fund, LLC (the 2020 Fund), a Georgia limited liability company. In conjunction with the equity investment, PRMH Equipment, Inc., (the leverage lender) made a loan of \$1,360,400 to the 2020 Fund. In turn, the 2020 Fund made equity investments in one CDE which provided two loans to RMH totaling \$2,000,000. The loans were made to RMH, which is considered a qualified active low-i/*ncome community business. The QLICI loans have a seven-year compliance period during which no principal can be repaid.

The loan provided by PRMH Equipment, Inc. to the 2020 Fund bears interest at 1.077% and matures on December 1, 2043. Interest-only payments are due annually commencing on December 10, 2020, continuing through December 10, 2027. Commencing on December 10, 2028, the annual payments will be composed of both principal and interest in the amount of \$93,017. For the year ended December 31, 2023, PRMH Equipment, Inc. recognized interest income of \$14,652 related to this note receivable, which is included in interest income from the note receivable in the accompanying consolidated statement of activities. There was no accrued interest income as of December 31, 2023.

The loans with the CDE require annual interest-only payments at 1.00% per annum until December 1, 2027, starting on December 1, 2020. Thereafter, annual payments of \$101,727, consisting of principal plus interest at 1.00% per annum, are due until December 1, 2049, if they are not accelerated or otherwise retired by the respective lenders at the end of the compliance period. For the year ended December 31, 2023, RMH incurred interest expense of \$20,000. There was no unpaid interest expense related to these loans as of December 31, 2023.

The loans from the CDE were as follows:

Lender	Loan	Rate
ST CDE LXIX QLICI, A Note	\$ 1,000,000	1.00%
ST CDE LXIX QLICI, B Note	1,000,000	1.00%
Total	\$ 2,000,000	

The loans are secured by RMH's equipment, fixtures, and the assets held in the reserve account related to this transaction.

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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

The NMTC financing agreement required RMH to establish and fund individual fee and expense reserve accounts totaling \$35,000 during 2020 to pay interest and certain annual service fees to the CDE over the seven-year NMTC compliance period. As of December 31, 2023, the balance associated with the reserve accounts totaled \$19,264; it is included in restricted cash in the accompanying consolidated statement of financial position and will be paid over the compliance period as these fees become due and payable.

The construction financing for the RMHC-PHI expansion has various NMTC Program requirements during the seven-year compliance period. The financing for the RMHC-PHI equipment has a financial covenant to maintain a certain debt service ratio. In addition to the financial covenant, RMHC-PHI must comply with certain NMTC Program requirements during the seven-year compliance period. As of December 31, 2023, RMHC-PHI was in compliance with all of its financial covenants and respective NMTC Program requirements.

It is anticipated that, after the seven-year NMTC Program compliance period expires in December 2027, in accordance with a put and call option agreement, the 2020 Equity Investor who owns the 2020 Fund will exercise its put option to sell its ownership interest to RMHC-PHI for a price of \$1,000 or RMHC-PHI will exercise its call option to buy the 2020 Equity Investor's interest for a pre-determined amount or price equal to the fair value of the investment, and the 2020 Fund will be liquidated and its assets distributed to RMHC-PHI. In conjunction with this event, the 2020 Equity Investor will be liquidated and its assets distributed to the 2020 Fund. Immediately after the exit transactions are completed, PRMH Equipment, Inc. will be the holder of RMH's notes payable, and, as such, the notes payable will be eliminated in the consolidated financial statements, with the notes payable anticipated to be discharged shortly thereafter.

As of December 31, 2023, there were no required principal payments on the notes payable over the following five years.

6. Note Payable – Partial-Revolving Loan

On April 24, 2017, RMHC-PHI entered into a partial-revolving loan agreement not to exceed \$14,000,000 with Firsttrust Bank to support construction costs related to the Chestnut Street Building expansion. The agreement bears interest at a variable rate plus 2.75%, floating daily, which was 8.16% as of December 31, 2023. Under the note agreement, RMHC-PHI is required to pay interest on outstanding balances on a monthly basis commencing on May 1, 2017. The loan is secured by a mortgage and security interest agreement on real properties of RMHC-PHI. As of December 31, 2023, the outstanding balance was \$657,552. There was unpaid interest expense related to this partial-revolving loan of \$45,945 as of December 31, 2023, which is included in accounts payable and accrued expenses on the accompanying consolidated statement of financial position. On February 29, 2024, the outstanding loan balance was fully paid.

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7. Line of Credit

RMHC-PHI maintains a \$2,750,000 line of credit with a bank, secured by RMHC-PHI's investments. On June 15, 2023, RMHC-PHI extended the line of credit to mature on May 23, 2024. The line of credit carries a variable interest rate, which was 7.66% as of December 31, 2023. Under the line of credit agreement, RMHC-PHI is required to pay interest on outstanding balances on a monthly basis. As of December 31, 2023, the outstanding balance was \$1,716,772. There was unpaid interest expense related to this line of credit as of December 31, 2023 of \$7,957, which is included in accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

8. EIDL Note Payable

On June 6, 2020, RMHC-PHI entered into a Small Business Administration loan with its financial institution under the Economic Injury Disaster Loan program funding for the amount of \$150,000, which came with a \$10,000 grant. The loan will mature on June 6, 2050, with a fixed interest rate of 2.75% per annum. Monthly installment payments of principal and interest of \$641 will commence in September 2024 and may continue through the maturity date. For the year ended December 31, 2023, accrued interest expense associated with the EIDL note was \$350 and as of December 31, 2023, the EIDL note had an outstanding balance of \$150,350.

As of December 31, 2023, the future maturities of the note were as follows:

For the Year Ending December 31,	
2024	\$ 1,078
2025	3,294
2026	3,386
2027	3,480
2028	3,576
Thereafter	135,536
Total	\$ 150,350

9. Net Assets

Net Assets Without Donor Restrictions

RMHC-PHI's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of December 31, 2023, RMHC-PHI's net assets without donor restrictions were as follows:

Undesignated	\$ 46,087,990
Board-designated	3,455,251
Total Net Assets Without Donor Restrictions	\$ 49,543,241

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9. Net Assets (continued)

Net Assets Without Donor Restrictions (continued)

The board-designated net assets for a working capital reserve were instituted to provide funding for various strategic initiatives of RMHC-PHI and to secure RMHC-PHI's long-term financial viability.

Net Assets With Donor Restrictions

As of December 31, 2023, net assets with donor restrictions were restricted for specific purposes or time periods as follows:

Subject to expenditure for specified purpose:	
House programs	\$ 591,938
Renovation	72,000
Camp	62,186
Endowment earnings available per spending policy	31,942
Family room programs	28,311
Scholarship	5,000
Technology grant	1,170
Film documentary	<u>10</u>
Total Subject to Expenditure for Specified Purpose	<u>792,557</u>
Subject to occurrence of specified events/passage of time:	
Time restricted	237,500
Capital Campaign – Chestnut Street Expansion	<u>861,010</u>
Total Subject to Occurrence of Specified Events/ Passage of Time	<u>1,098,510</u>
Subject to be held in perpetuity:	
Endowment Fund	<u>497,500</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,388,567</u>

Endowment

RMHC-PHI received a donation of shares of common stock of the McDonald's Corporation from Mrs. Joan Kroc. The gift was valued at \$497,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses. All income from these securities is restricted until appropriated for spending by the Board.

For the year ended December 31, 2023, RMHC-PHI's endowment fund had the following activity:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 474,454
Investment return, net	74,314
Amounts appropriated for expenditure	<u>(19,326)</u>
Endowment Net Assets, End of Year	<u>\$ 529,442</u>

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9. Net Assets (continued)

Endowment (continued)

Interpretation of Relevant Law

RMHC-PHI has interpreted relevant law in Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. Pennsylvania law permits, but does not require, the board of directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board of directors has determined that such a percentage is consistent with the long-term preservation of the real value of such assets.

RMHC-PHI approved a 7% spending policy beginning January 1, 2012, which amounted to \$19,326 to be distributed to operations for the year ended December 31, 2023. During the year, the board suspended two quarters of the annual spend. The realized and unrealized gains and losses related to permanent endowments are restricted until spent, in accordance with Pennsylvania law. The endowment fund investment activity is recorded in accordance with the original gift agreement and RMHC-PHI's interpretation of the Pennsylvania law.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires RMHC-PHI to retain as a fund of perpetual duration. RMHC-PHI's policy is to continue to appropriate from such individually-deficient funds in accordance with its spending policy. As of December 31, 2023, there were no such deficiencies.

Return Objectives and Risk Parameters

RMHC-PHI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, RMHC-PHI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC-PHI targets a diversified asset allocation which is reviewed as necessary by the Board of Directors.

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10. Availability and Liquidity

RMHC-PHI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. RMHC-PHI's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2023, were as follows:

Cash and cash equivalents	\$ 1,294,090
Pledges and contributions receivable	1,137,794
Investments	<u>5,397,023</u>
Total Financial Assets Available Within One Year	7,828,907
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose and time restriction	(1,891,067)
Amounts unavailable for general expenditure as corpus of endowment	(497,500)
Amounts unavailable to management without Board approval	<u>(3,455,251)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,985,089</u>

RMHC-PHI has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of RMHC-PHI throughout the year. This is done through monitoring and reviewing RMHC-PHI's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of RMHC-PHI's cash flow related to RMHC-PHI's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. RMHC-PHI has an endowment with a board-restricted 7% spending rate, and unrestricted investments with a board-restricted 5% spending rate, resulting in approximately \$216,940 of appropriations available within the next 12 months to fund operating needs. To help manage unanticipated liquidity needs, RMHC-PHI has a committed line of credit of \$2,750,000, which is described in Note 7 above. As of December 31, 2023, \$1,025,271 of this line of credit was available to RMHC-PHI to draw upon.

11. Transactions with Related Entities

Ronald McDonald House Charities is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. RMHC-PHI is an independent operating Chapter within the Ronald McDonald House Charities system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use the 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.

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11. Transactions with Related Entities (continued)

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-PHI receives a portion of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the year ended December 31, 2023, RMHC-PHI received payments of \$991,793 from RMHC Global, of which \$68,000 were in the form of grants, and the remaining \$923,793 were funds passed through to RMHC-PHI from local McDonald stores.

12. Donated Goods and Services

Donated goods and services are recognized if the services received create or enhance long-lived assets or require specialized skills, that are provided by individuals possessing those skills and would typically need to be purchased if not donated.

During the year ended December 31, 2023, RMHC-PHI received donated professional services of \$227,777 and donated food and program materials of \$604,181 totaling \$831,958. The donated professional services are recorded at the estimated fair value based on market rates for similar services in the United States. The donated food and program materials are recorded at the estimated fair value based on current market rates for similar food and program materials. These items are reported as donated goods and services revenue and program expenses in the statement of activities.

There were no donor-imposed restrictions associated with the donated goods and services.

13. Commitments, Contingencies and Risks

Concentration of Credit Risk

RMHC-PHI maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2023, RMHC-PHI had approximately \$1,260,000 in cash, which exceeded the maximum limit insured by the FDIC by approximately \$856,000. RMHC-PHI monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Investment Risk

RMHC-PHI also invests in various investment securities that are exposed to various risks, including market, interest rate and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

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14. Retirement Plan

RMHC-PHI maintains a Simplified Employee Pension Plan which covers all full-time employees. RMHC-PHI contributes 2% of the employee's annual compensation. For the year ended December 31, 2023, contributions to the plan amounted to \$64,638.

15. Income Taxes

RMHC-PHI, PRMH, Inc. and PRMH Equipment, Inc. are exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, these organizations are taxed only on their net unrelated business income. No provision for income taxes has been made in the accompanying consolidated financial statements for the year ended December 31, 2023, as there was no significant net unrelated business income.

RMHC-PHI adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. RMHC-PHI performed an evaluation of uncertain tax positions for the year ended December 31, 2023, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on RMHC-PHI's tax-exempt status. As of December 31, 2023, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which RMHC-PHI files tax returns; however, there are currently no examinations pending or in progress. As of December 31, 2023, RMHC-PHI had no accruals for interest and/or penalties.

16. Reclassification

Certain prior year amounts have been classified to current year presentation. These reclassifications had no effect on net assets as previously reported.

17. Subsequent Events

In preparing the consolidated financial statements, RMHC-PHI has evaluated events and transactions for potential recognition or disclosure through April 30, 2024, the date the consolidated financial statements were available to be issued. There were no subsequent events other than the loan repayment disclosed in Note 6 that require recognition or disclosure in the consolidated financial statements.