
***RONALD MCDONALD HOUSE
CHARITIES OF DENVER, INC.***
*FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021*

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Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities of Denver, Inc.
Denver, Colorado

Opinion

We have audited the financial statements of Ronald McDonald House Charities of Denver, Inc., which comprise the statement 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 accompanying financial statements present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Denver, Inc., as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Ronald McDonald House Charities of Denver, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities Of Management For The Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Denver, Inc.'s ability to continue as a going concern for one year after the date that the 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 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 Denver, 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 Denver, 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.

June 30, 2023

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2022	2021
Current Assets		
Cash and cash equivalents	\$ 438,881	\$ 352,548
Investments	10,189,007	11,280,092
Receivables:		
Net pledges	—	79,681
Contributions	357,458	235,903
Other	99,028	127,133
Prepaid expenses	—	179
Total Current Assets	11,084,374	12,075,536
Beneficial Use Of Land	129,997	130,197
Restricted Investments	546,250	573,000
Property And Equipment		
Land	167,000	167,000
Buildings and improvements	27,343,146	27,236,148
Furnishings and equipment	639,795	407,613
	28,149,941	27,810,761
Less: Accumulated depreciation	9,390,999	8,628,078
Net Property And Equipment	18,758,942	19,182,683
Total Assets	\$ 30,519,563	\$ 31,388,416

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 253,181	\$ 182,836
Net Assets		
Without donor restrictions:		
Undesignated	10,831,193	8,946,059
Property and equipment	18,758,942	19,182,683
Board-designated reserves	—	2,931,641
Total Without Donor Restrictions	29,590,135	31,060,383
With donor restrictions	676,247	718,197
Total Net Assets	30,266,382	31,778,580
Total Liabilities And Net Assets	\$ 30,519,563	\$ 31,961,416

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 1,927,245	\$ 6,417	\$ 1,933,662
Contributed nonfinancial assets	778,289	—	778,289
Special events revenue	799,668	—	799,668
Third-party reimbursements	1,535,109	—	1,535,109
Net assets released from restrictions	68,341	(68,341)	—
Total Operating Revenues, Gains And Other Support	5,108,652	(61,924)	5,046,728
Operating Expenses			
Program Services	3,480,878	—	3,480,878
Supporting Services:			
Management and general	603,939	—	603,939
Fundraising	708,540	—	708,540
Total Supporting Services	1,312,479	—	1,312,479
Total Operating Expenses	4,793,357	—	4,793,357
Change In Net Assets From Operations	315,295	(61,924)	253,371
Nonoperating Income (Loss)			
Investment gain (loss)	(1,785,543)	19,974	(1,765,569)
Change In Total Net Assets	(1,470,248)	(41,950)	(1,512,198)
Net Assets At Beginning Of Year	31,060,383	718,197	31,778,580
Net Assets At End Of Year	\$ 29,590,135	\$ 676,247	\$ 30,266,382

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 2,256,087	\$ 76,487	\$ 2,332,574
Contributed nonfinancial assets	484,330	—	484,330
Grant revenue	248,259	—	248,259
Special events revenue	676,512	—	676,512
Third-party reimbursements	1,436,656	—	1,436,656
Net assets released from restrictions	144,085	(144,085)	—
Total Operating Revenues, Gains And Other Support	5,245,929	(67,598)	5,178,331
Operating Expenses			
Program Services	2,848,289	—	2,848,289
Supporting Services:			
Management and general	522,414	—	522,414
Fundraising	606,078	—	606,078
Total Supporting Services	1,128,492	—	1,128,492
Total Operating Expenses	3,976,781	—	3,976,781
Change In Net Assets From Operations	1,269,148	(67,598)	1,201,550
Nonoperating Income And Expenses			
Investment gain	1,176,572	12,992	1,189,564
Unallocated payments to RMHC Global	(2,531)	—	(2,531)
Total Nonoperating Income And Expenses	1,174,041	12,992	1,187,033
Change In Total Net Assets	2,443,189	(54,606)	2,388,583
Net Assets At Beginning Of Year	28,617,194	772,803	29,389,997
Net Assets At End Of Year	\$ 31,060,383	\$ 718,197	\$ 31,778,580

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2022**

	<u>Supporting Services</u>				Total Expenses
	Program Services	Management And General	Fund- Raising	Total Supporting Services	
Salaries	\$ 778,791	\$ 286,005	\$ 270,809	\$ 556,814	\$ 1,335,605
Payroll taxes	75,106	14,727	23,294	38,021	113,127
Benefits	111,652	34,610	30,881	65,491	177,143
Contract services	435,961	51,968	41,008	92,976	528,937
Advertising	6,000	—	32,806	32,806	38,806
Dues, subscriptions and licenses	15,035	7,189	32,251	39,440	54,475
Depreciation	739,638	19,672	3,611	23,283	762,921
Rent expense	6,617	—	—	—	6,617
Utilities	195,025	14,469	3,750	18,219	213,244
Insurance	58,883	40,706	17,971	58,677	117,560
Supplies and printing	76,556	3,532	22,255	25,787	102,343
Repairs and maintenance	163,737	—	—	—	163,737
Event expenses	—	—	134,452	134,452	134,452
Telephone and postage	25,609	5,992	7,193	13,185	38,794
Volunteers and donors	11,658	—	131	131	11,789
Donated food, supplies, and activities	320,557	—	2,030	2,030	322,587
Donated services	370,949	38,306	13,940	52,246	423,195
Other	89,104	86,763	72,158	158,921	248,025
Total Expenses	\$ 3,480,878	\$ 603,939	\$ 708,540	\$ 1,312,479	\$ 4,793,357

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2021**

	Supporting Services				Total Expenses
	Program Services	Management And General	Fund-Raising	Total Supporting Services	
Salaries	\$ 661,293	\$ 203,545	\$ 243,817	\$ 447,362	\$ 1,108,655
Payroll taxes	46,592	27,725	16,916	44,641	91,233
Benefits	72,354	74,328	23,002	97,330	169,684
Contract services	324,753	38,708	85,655	124,363	449,116
Advertising	—	—	19,087	19,087	19,087
Dues, subscriptions and licenses	6,756	2,923	7,087	10,010	16,766
Depreciation	756,876	17,803	2,429	20,232	777,108
Rent expense	6,617	—	—	—	6,617
Utilities	148,649	(39)	563	524	149,173
Insurance	103,640	6,662	421	7,083	110,723
Supplies and printing	44,656	2,775	10,227	13,002	57,658
Repairs and maintenance	160,922	(34)	—	(34)	160,888
Event expenses	—	—	80,466	80,466	80,466
Telephone and postage	27,734	4,366	6,208	10,574	38,308
Volunteers and donors	5,560	319	621	940	6,500
Donated food, supplies, and activities	304,266	—	—	—	304,266
Donated services	87,813	48,918	3,602	52,520	140,333
COVID-19 related expense	1,302	—	—	—	1,302
Other	88,506	94,415	105,977	200,392	288,898
Total Expenses	\$ 2,848,289	\$ 522,414	\$ 606,078	\$ 1,128,492	\$ 3,976,781

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31	
	2022	2021
Cash Flows From Operating Activities		
Changes in net assets	\$ (1,512,198)	\$ 2,388,583
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	762,921	777,108
Net realized and unrealized gain on investments	1,979,605	(981,556)
Reinvested dividends and capital gains	(214,036)	(208,008)
Net discount amortization	200	78
Changes in assets and liabilities:		
Contributions receivable	(121,555)	(56,951)
Pledges receivable	79,681	(79,681)
Other receivables	28,105	10,904
Prepaid expenses	179	17,458
Accounts payable and accrued liabilities	70,345	(28,129)
Net Cash From Operating Activities	1,073,247	1,839,806
Cash Flows From Investing Activities		
Purchases of investments	(7,974,181)	(5,720,398)
Proceeds from sale of investments	7,326,447	4,132,526
Purchases of property and equipment	(339,180)	(202,405)
Net Cash From Investing Activities	(986,914)	(1,790,277)
Net Change In Cash And Cash Equivalents	86,333	49,529
Cash And Cash Equivalents At Beginning Of Year	352,548	303,019
Cash And Cash Equivalents At End Of Year	\$ 438,881	\$ 352,548

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 And 2021

1. Summary Of Significant Accounting Policies

General

Ronald McDonald House Charities of Denver, Inc. (RMHC-Denver) is a not-for-profit corporation established to operate facilities (the Ronald McDonald Houses) in Denver and Aurora, Colorado. Ronald McDonald Houses provide temporary housing for the families of seriously ill children while their children receive treatment at nearby hospitals.

RMHC-Denver's Ronald McDonald Family Room program offers families a place to rest and regroup at Denver area hospitals. Services at the Ronald McDonald Family Room include a kitchen area, shower facilities, laundry facilities, internet access, a seating area and a quiet room.

RMHC-Denver's activities are supported primarily through contributions, special events and third-party reimbursements.

Financial Statement Presentation

Information regarding the financial position and activities of RMHC-Denver is reported based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as net assets with donor restrictions and net assets without donor restrictions.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the financial statement presentation used in 2022. These reclassifications had no impact on the 2021 change in total net assets.

Revenue Recognition

Contributions And Contributions Receivable

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

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

Contributions receivable are recorded at net realizable value if expected to be collected within one year and at net present value if expected to be collected in more than one year.

Contributed Nonfinancial Assets

RMHC-Denver receives gifts in-kind, such as donated goods, volunteer services and donated meals. Contributed nonfinancial asset revenue is recognized when RMHC-Denver has sufficient discretion over the use and disposition of the items to recognize a contribution. Accordingly, the recognition of gifts in-kind revenue is limited to circumstances in which the RMHC-Denver takes constructive possession of the gifts in-kind and the RMHC-Denver is the recipient of the gift, rather than an agent or intermediary (as defined by accounting standards). Gifts in-kind received through donations are generally used in program services and are valued and recorded as revenue at their fair value at the time the contribution is received. Contributions included in the statement of activities for the years ended December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Services	\$ 423,195	\$ 305,462
Food inventory	28,126	—
Clothing and household goods	243,005	145,751
Books and publications	5,359	—
Toys and games	46,097	—
Auction items	32,507	33,117
Total	\$ 778,289	\$ 484,330

Fair Value Techniques

Clothing, household goods, books and publications, and toys and games are valued using estimated retail prices of identical or similar products if purchased in the region. Donated food inventory is valued based on a price of identical or similar agricultural products if purchased in the region. Professional services are valued based on current rates provided by the entities provided by each firm that donates time. Auction items are valued at their estimated cost to purchase at an open market for such items.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

Donor Restrictions and Use

Contributed nonfinancial assets are not restricted. RMHC-Denver does not sell any of the contributions other than auction items, and uses goods, meals, and professional services in its program activities. Supporting services are allocated by their use or by time and effort. Donated auction items are sold at auction within the year they are received for fundraising purposes.

RMHC-Denver pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist RMHC-Denver with specific programs and activities. RMHC-Denver received 2,245 and 2,418 volunteer hours in 2022 and 2021, respectively. No amounts have been reflected in the accompanying financial statements for volunteers' donated services unless they meet the criteria of recognition under generally accepted accounting principles.

Sponsorship Revenue

Sponsorships represent primarily contributions, as the value provided to sponsors is generally not commensurate with the sponsorship payments. Further, as there is no explicit or implicit right of return, under the guidance provided by Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, sponsorships are generally considered to be unconditional and thus are accounted for similar to contributions and are recorded as revenue with donor restriction (a time-based restriction) and released to revenue without donor restriction at the time the sponsored event occurs.

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.

Third-Party Reimbursements

Third-party reimbursements consist of funding from payers, such as Medicaid and Children's Hospital of Colorado, which serve to offset the costs of providing program services.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

Revenue Disaggregation

The following table is a disaggregation of the timing of recognition of those revenues that are subject to Topic 606 (special events and third-party reimbursements):

	<u>2022</u>	<u>2021</u>
Services recognized at a point in time	\$ 32,507	\$ 676,512
Services rendered over time	<u>1,535,109</u>	<u>1,436,656</u>
	<u>\$ 1,567,616</u>	<u>\$ 2,113,168</u>

Shown in the accompanying statement of activities as:

	<u>2022</u>	<u>2021</u>
Special events revenue	\$ 32,507	\$ 676,512
Third-party reimbursements	<u>1,535,109</u>	<u>1,436,656</u>
	<u>\$ 1,567,616</u>	<u>\$ 2,113,168</u>

All other revenue sources on the statement of activities are not subject to the provisions of Topic 606.

Cash And Cash Equivalents

For purposes of the statement of cash flows, RMHC-Denver considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held with investment managers are considered investments for financial reporting purposes.

Investments

Investments in marketable securities and certificates of deposit with readily determinable fair values are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Property And Equipment

Furniture, fixtures and equipment are carried at cost and depreciated over their estimated useful lives of 3 to 15 years for furniture and equipment and 40 years for buildings. Capitalization of expenditures is based on costs and useful lives. Donated property and equipment is recorded as estimated fair value at the date of donation. Repairs and maintenance are charged to operations when incurred. Property is capitalized only if it has a cost greater than \$5,000 per asset invoice or group. Depreciation expense is computed using the straight-line method over the estimated useful lives.

RMHC-Denver evaluates its long-lived assets for any events or changes in circumstances that indicate that the carrying amount of such assets may not be recoverable. RMHC-Denver evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time, such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. At December 31, 2022 and 2021, no impairment losses have been recognized.

Concentrations Of Credit Risk

Financial instruments which potentially subject RMHC-Denver to concentrations of credit risk consist principally of cash, cash equivalents and investments.

RMHC-Denver maintains cash balances with multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. RMHC-Denver believes it is not exposed to any significant credit risk on its cash balances.

Investment managers that are utilized by RMHC-Denver are engaged by RMHC-Denver's Board of Directors to make investments that are monitored by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of RMHC-Denver.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Expenses directly attributable to a specific functional area of RMHC-Denver are reported as expenses of those functional areas. Certain other costs that benefit multiple functional areas have been allocated across programs and supporting services as determined by management on an equitable basis.

The allocated expenses, and their method of allocation, are as follows:

<u>Expense</u>	<u>Method Of Allocation</u>
Salaries and benefits	Estimates of time and effort
Depreciation	Square footage
Utilities	Square footage
Insurance	Square footage
Volunteers and donors	Estimates of time and effort
Professional services	Estimates of time and effort

Net Assets

Net assets, operating revenues, gains and other support and nonoperating income are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- ***Net Assets Without Donor Restrictions*** - Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, certain funds to be used at the Board's discretion.
- ***Net Assets With Donor Restrictions*** - Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Contributions restricted by donors are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions expire in the same year in which the contributions were received are reported at gross in the statement of activities as contributions with donor restrictions and corresponding net assets released from restrictions.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

Income Taxes

RMHC-Denver has received a determination letter from the Internal Revenue Service for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax liability was recorded for the years ended December 31, 2022 or 2021.

Advertising And Promotion

RMHC-Denver's advertising and promotion expenses cover the purchase of airtime to conduct the annual Radiothon fundraiser and to promote giving to the RMHC-Denver through other radio, print and online magazine advertising. The purchase of the airtime is expensed as incurred. During 2022 and 2021, advertising and promotion costs totaled \$38,806 and \$19,087, respectively.

New Accounting Standards

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which was first effective and adopted by the RMHC-Denver on a retrospective basis to all periods presented, as of, and for the year ended December 31, 2022. The *Contributed Nonfinancial Assets* section of this Note 1 provides the disclosures required by ASU 2020-07.

2. Availability And Liquidity

RMHC-Denver strives to maintain liquid financial assets sufficient to cover one year of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other marketable investments.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

The following table reflects RMHC-Denver's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include a board-designated fund that is intended to fund maintenance and capital needs of the houses, as further discussed in Note 11. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions.

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 438,881	\$ 352,548
Contributions, pledges and other receivable	456,486	442,717
Investments	10,735,257	#REF!
Total Financial Assets	11,630,624	#REF!
Less amounts not available to be used within one year:		
Net assets with donor restrictions	676,247	718,197
Less net assets with purpose or time restrictions expected to be met in less than one year	—	(41,750)
	676,247	676,447
Board-designated reserve	—	2,931,641
Total Amounts Not Available To Be Used Within One Year	676,247	3,608,088
Financial Assets Available To Meet General Expenditures Over The Next 12 Months	\$ 10,954,377	#REF!

3. Restricted Investments

Restricted investments are restricted to the following purposes at December 31:

	2022	2021
Coca-Cola purchases	\$ —	\$ 26,750
Permanent endowment (Notes 7 and 8)	546,250	546,250
Total Restricted Investments	\$ 546,250	\$ 573,000

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

4. Investments

RMHC-Denver's investments, at fair value (see Note 12), consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Mutual funds:		
Bond funds	\$ 3,975,535	\$ 3,925,547
Equity funds	6,381,765	7,207,444
Cash held for investment	377,957	720,101
Total Investments	\$ 10,735,257	\$ 11,853,092

Investment gain consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Net unrealized gain (loss) on investments	\$ (1,822,102)	\$ 915,321
Net realized gain (loss) on sale of investments	(157,503)	66,235
Reinvested dividends and capital gains	214,036	208,008
Total Investment Return	\$ (1,765,569)	\$ 1,189,564

5. Pledges And Contributions Receivable

RMHC-Denver's gross pledges and contributions receivable of \$357,458 and \$79,681 at December 31, 2022 and 2021, respectively, consist of pledges and future contributions of support for general operations. Management recorded no allowance for doubtful accounts as of December 31, 2022 and 2021.

6. Other Receivables

RMHC-Denver's Medicaid receivable of \$99,028 and \$106,620 consists of billings for stays in 2022 and 2021, respectively. The Medicaid receivables are due in less than one year. The other remaining receivable as of December 31, 2021 related to canister collections, which amounted to \$20,513.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

7. Net Assets With Donor Restrictions

RMHC-Denver's net assets with donor restrictions consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose or future period:		
Pledges and contributions receivable	\$ —	\$ 15,000
Coca-Cola purchases	—	26,750
Aurora land use	129,997	130,197
Subject to the spending policy and appropriation:		
Investment held in perpetuity, the income of which is expendable to support operating expenses of RMHC-Denver	546,250	546,250
Total Net Assets With Donor Restrictions	\$ 676,247	\$ 718,197

Net assets released from restrictions, resulting from RMHC-Denver incurring expenditures satisfying the related restricted purposes or with the passage of time, were as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished	\$ 61,724	\$ 44,395
Time restrictions expired	6,617	99,690
	\$ 68,341	\$ 144,085

8. Endowment

RMHC-Denver's net assets with donor restrictions includes a donor-restricted endowment fund established for the operating expenses of RMHC-Denver. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC-Denver follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, issued by Financial Accounting Standards Board. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

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RMHC-Denver has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC-Denver classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by RMHC-Denver in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, RMHC-Denver considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of RMHC-Denver and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other RMHC-Denver resources
- (7) The investment policies of RMHC-Denver

There were no changes in the restricted portion of endowment net assets for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, the balance of the restricted portion of endowment net assets was \$546,250. Investment income from the endowment was \$19,974 during 2022, and was released from restriction within the same year. Investment income from the endowment was \$12,992 during 2021, and was released from restriction within the same year.

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 or UPMIFA requires RMHC-Denver to retain as a fund of perpetual duration. At December 31, 2022 and 2021, there was no such deficiency.

Return Objectives And Risk Parameters

RMHC-Denver 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments in income-producing instruments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves and fit within RMHC-Denver's preference of acceptable principal and interest risk.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC-Denver 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-Denver targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

RMHC-Denver has a policy of appropriating for distribution each year a prudent amount for the operating expenses of RMHC-Denver. This policy applies to restricted and unrestricted funds unless those funds have their own distribution requirements. In establishing the distribution policy, RMHC-Denver considers the long-term expected return on its endowment. This is consistent with RMHC-Denver's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In determining the annual distribution to RMHC-Denver for operating expenses, the Board of Directors may make an exception to the distribution policy.

9. Beneficial Use of Land

In 2006, RMHC-Denver entered into an agreement with HealthONE, whereby RMHC-Denver would obtain the right to use land from HealthONE for the purposes of providing services on that land. The initial term of the agreement was for a 99-year term that ends in 2105, with an aggregate annual base rent of \$1. The fair value of the agreement at the time of inception was approximately \$655,000. In connection with this agreement, RMHC-Denver discounted the value of the 99-year initial term of the agreement and recorded a restricted contribution in 2014. The discount on the beneficial use of land was amortized by \$6,537 into contribution revenue with donor restrictions during both years ended December 31, 2022 and 2021. Additionally, for both years ended December 31, 2022 and 2021, \$6,617 of the restricted contribution was released from restriction as rent expense of \$6,617. As of December 31, 2022 and 2021, the value of the beneficial use of land was \$129,997 and \$130,197, respectively. As this agreement has no economic substance, it does not require additional analysis or re-measurement under ASC Topic 842, *Leases*.

10. Savings Incentive Plan

Subject to Board approval, all active employees, full and part-time, receive a savings incentive benefit equal to 5% of their year-to-date earnings, commencing in the seventh month of continuous employment. RMHC-Denver contributions under this benefit totaled \$55,606 in 2022 and \$49,405 in 2021.

11. Board-Designated Funds

In March 2002, RMHC-Denver Board of Directors voted to establish a reserve for maintenance and to fund the designated reserve at the rate of \$1,000 per month plus interest. In August 2019, RMHC-Denver Board of Directors voted to establish a \$250,000 base of funding for this reserve, and will build the reserve at a rate of \$8,333 each month.

In August 2017, RMHC-Denver Board of Directors voted to establish a reserve for capital investment and to fund the reserve with \$2,500,000.

At December 31, 2021, the board-designated funds totaled \$2,931,641.

During 2022, the RMHC-Denver Board of Directors voted to release the above reserves on a go forward basis. There were no remaining board-designed funds as of December 31, 2022.

12. Fair Value Measurements

RMHC-Denver reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require RMHC-Denver to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes mutual funds, listed equities, listed derivatives and money market funds.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds and distressed debt.

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In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

No changes in the valuation methods were made during the years ended December 31, 2022 and 2021.

The following table summarizes the valuation of RMHC-Denver's investments on a recurring basis by the above fair value hierarchy levels:

	<u>2022</u>	<u>Level 1</u>
Mutual funds:		
Bond funds:		
Low-duration institutional funds	\$ 692,257	\$ 692,257
U.S. fixed income	1,918,512	1,918,512
Non-U.S. fixed income	1,364,766	1,364,766
Equity funds:		
U.S. large cap stock funds	4,322,284	4,322,284
U.S. mid cap stock funds	112,963	112,963
EAFE stock funds	1,397,056	1,397,056
European large cap stock funds	331,610	331,610
Japanese large cap stock funds	106,920	106,920
Asia ex-Japan stock funds	91,271	91,271
Emerging market stock funds	19,661	19,661
Amount not subject to leveling (cash held for investment)	377,957	—
Total Investments	\$ 10,735,257	\$ 10,357,300

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Notes To Financial Statements (Continued)

	<u>2021</u>	<u>Level 1</u>
Mutual funds:		
Bond funds:		
Low-duration institutional funds	\$ 500,701	\$ 500,701
U.S. fixed income	2,349,578	2,349,578
Non-U.S. fixed income	1,075,268	1,075,268
Equity funds:		
U.S. large cap stock funds	5,044,426	5,044,426
EAFE stock funds	1,542,844	1,542,844
European large cap stock funds	429,261	429,261
Japanese large cap stock funds	99,837	99,837
Asia ex-Japan stock funds	78,326	78,326
Emerging market stock funds	12,750	12,750
Amount not subject to leveling (cash held for investment)	720,101	—
Total Investments	\$ 11,853,092	\$ 11,132,991

13. Related Party Transactions

RMHC Global collects canister collection and point-of-sale round-up funds from McDonald's operators and makes monthly remittances to RMHC Chapters, net of a 25% administrative fee. During the years ended December 31, 2022 and 2021, RMHC-Denver received \$529,390 and \$613,278, respectively.

RMHC Global occasionally makes grants to RMHC-Denver. These amounts totaled \$43,000 for the year ended December 31, 2022. No RMHC Global grants were made during the year ended December 31, 2021.

14. Paycheck Protection Program Loans

RMHC-Denver received a loan in 2021 in the amount of \$246,962 that is part of the second draw of the PPP established under the CARES Act and administered by the SBA. In accordance with the requirements of the CARES Act, RMHC-Denver believes that it has used the proceeds from the loan exclusively for qualified expenses under the PPP, as further detailed in the CARES Act and applicable guidance issued by the SBA, and the loan would be forgiven in full, and therefore will treat the loan as a government grant. As U.S. generally accepted accounting principles do not contain guidance on the accounting for government grants, RMHC-Denver is following the guidance in ASC 958. Under the provisions of ASC 958, a forgivable loan from government is treated as a contribution when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

In August 2021, RMHC-Denver applied for forgiveness of the loan and was granted forgiveness of the full balance of \$246,962, which is equal to the sum of qualified expenses under the PPP incurred during the covered period following initial disbursement. Accrued interest of \$1,297 was also forgiven. Accordingly, RMHC-Denver has recorded grant income for the full amount in the statement of activities for 2021.

15. Contingencies

From time to time, RMHC-Denver may be subject to claims and other contingent liabilities that arise in the ordinary course of operations. It is the opinion of management that the disposition or ultimate resolution of such claims or contingent liabilities will not have a material adverse effect on the statements of financial position, activities, functional expense or cash flows.

16. Subsequent Events

Management evaluated subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.