
***RONALD MCDONALD HOUSE
CHARITIES OF DENVER, INC.***
*FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022*

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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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Denver, Inc., as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

RubinBrown LLP

May 15, 2024

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 286,412	\$ 438,881
Investments	12,618,124	10,189,007
Receivables:		
Contributions	382,387	357,458
Other	160,658	99,028
Prepaid expenses	54,511	—
Total Current Assets	13,502,092	11,084,374
Beneficial Use Of Land	129,882	129,997
Restricted Investments	546,250	546,250
Property And Equipment		
Land	167,000	167,000
Buildings and improvements	27,460,740	27,343,146
Furnishings and equipment	953,991	639,795
	28,581,731	28,149,941
Less: Accumulated depreciation	10,209,289	9,390,999
Net Property And Equipment	18,372,442	18,758,942
Total Assets	\$ 32,550,666	\$ 30,519,563

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 265,332	\$ 253,181
Net Assets		
Without donor restrictions:		
Undesignated	13,210,010	10,831,193
Property and equipment	18,372,442	18,758,942
Total Without Donor Restrictions	31,582,452	29,590,135
With donor restrictions	702,882	676,247
Total Net Assets	32,285,334	30,266,382
Total Liabilities And Net Assets	\$ 32,550,666	\$ 30,519,563

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 2,591,740	\$ 33,250	\$ 2,624,990
Contributed nonfinancial assets	791,040	—	791,040
Special events revenue	693,632	—	693,632
Third-party reimbursements	1,479,308	—	1,479,308
Net assets released from restrictions	36,391	(36,391)	—
Total Operating Revenues, Gains And Other Support	5,592,111	(3,141)	5,588,970
Operating Expenses			
Program services	4,071,747	—	4,071,747
Supporting services:			
Management and general	516,547	—	516,547
Fundraising	672,616	—	672,616
Total Supporting Services	1,189,163	—	1,189,163
Total Operating Expenses	5,260,910	—	5,260,910
Change In Net Assets From Operations	331,201	(3,141)	328,060
Nonoperating Income			
Investment gain	1,661,116	29,776	1,690,892
Change In Total Net Assets	1,992,317	26,635	2,018,952
Net Assets At Beginning Of Year	29,590,135	676,247	30,266,382
Net Assets At End Of Year	\$ 31,582,452	\$ 702,882	\$ 32,285,334

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 FUNCTIONAL EXPENSES
For The Year Ended December 31, 2023

	<u>Supporting Services</u>				Total Expenses
	Program Services	Management And General	Fund-Raising	Total Supporting Services	
Salaries	\$ 997,507	\$ 225,238	\$ 314,348	\$ 539,586	\$ 1,537,093
Payroll taxes	79,414	32,426	27,272	59,698	139,112
Benefits	128,071	14,815	42,671	57,486	185,557
Contract services	495,244	52,520	31,441	83,961	579,205
Advertising	—	—	18,940	18,940	18,940
Dues, subscriptions and licenses	14,116	13,417	39,860	53,277	67,393
Depreciation	797,893	17,940	2,456	20,396	818,289
Rent expense	6,615	—	—	—	6,615
Utilities	201,426	15,395	3,849	19,244	220,670
Insurance	67,526	49,337	22,294	71,631	139,157
Supplies and printing	122,421	3,043	28,206	31,249	153,670
Repairs and maintenance	206,315	—	—	—	206,315
Event expenses	—	—	80,757	80,757	80,757
Telephone and postage	30,473	1,276	11,140	12,416	42,889
Volunteers and donors	59,895	—	1,763	1,763	61,658
Donated food, supplies and activities	321,033	—	—	—	321,033
Donated services	428,734	5,126	1,507	6,633	435,367
Other	115,064	86,014	46,112	132,126	247,190
Total Expenses	\$ 4,071,747	\$ 516,547	\$ 672,616	\$ 1,189,163	\$ 5,260,910

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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

	Supporting Services				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 CASH FLOWS

	For The Years	
	Ended December 31	
	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 2,018,952	\$ (1,512,198)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	818,289	762,921
Net realized and unrealized gain on investments	(1,347,883)	1,979,605
Reinvested dividends and capital gains	(343,009)	(214,036)
Net discount amortization	115	200
Changes in assets and liabilities:		
Contributions receivable	(24,929)	(121,555)
Pledges receivable	—	79,681
Other receivables	(61,630)	28,105
Prepaid expenses	(54,511)	179
Accounts payable and accrued liabilities	12,151	70,345
Net Cash From Operating Activities	1,017,545	1,073,247
Cash Flows From Investing Activities		
Purchases of investments	(2,988,023)	(7,974,181)
Proceeds from sale of investments	2,249,798	7,326,447
Purchases of property and equipment	(431,789)	(339,180)
Net Cash From Investing Activities	(1,170,014)	(986,914)
Net Change In Cash And Cash Equivalents	(152,469)	86,333
Cash And Cash Equivalents - Beginning Of Year	438,881	352,548
Cash And Cash Equivalents - End Of Year	\$ 286,412	\$ 438,881

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 And 2022

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 (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 while their children receive treatment. 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.

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.

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.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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. Contributed nonfinancial assets in the statement of activities for the years ended December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Services	\$ 435,367	\$ 423,195
Food inventory	19,589	28,126
Clothing and household goods	236,282	243,005
Books and publications	16,735	5,359
Toys and games	48,427	46,097
Auction items	34,640	32,507
Total	\$ 791,040	\$ 778,289

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 2,971 and 2,245 volunteer hours in 2023 and 2022, 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 (ASU) 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 Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606):

	<u>2023</u>	<u>2022</u>
Services recognized at a point in time	\$ 693,632	\$ 799,668
Services rendered over time	1,479,308	1,535,109
	<u>\$ 2,172,940</u>	<u>\$ 2,334,777</u>

Shown in the accompanying statement of activities as:

	<u>2023</u>	<u>2022</u>
Special events revenue	\$ 693,632	\$ 799,668
Third-party reimbursements	1,479,308	1,535,109
	<u>\$ 2,172,940</u>	<u>\$ 2,334,777</u>

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

Other Receivables

As of January 1, 2023, RMHC-Denver adopted ASC Topic 326, *Financial Instruments - Credit Losses*, using a modified-retrospective approach. The standard replaces the incurred loss model and requires entities to record an estimate of expected losses on financial assets for the remaining estimated life of the asset. This estimate must include consideration of historical experience, current conditions and reasonable and supportable forecasts. The standard applies to the RMHC-Denver's other receivables, as contributions receivable are outside the scope of this standard. The adoption did not have a material impact on these financial statements.

Amounts due as other receivables (primarily Medicaid) are stated at the amount management expects to collect from outstanding balances. The carrying amount is reduced by a valuation allowance, if any is determined necessary, through a charge to activities, that reflects management's best estimate of amounts that will not be collected. This assessment considers historical experience, current conditions and, when appropriate, reasonable and supportable forecasts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

As there have been no material historical losses on other receivables, the valuation allowance was determined to be immaterial as of both December 31, 2023 and 2022.

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, money market funds 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, 2023 and 2022, 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.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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.

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:

Expense	Method Of Allocation
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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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-imposed 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.

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, 2023 or 2022.

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 2023 and 2022, advertising and promotion costs totaled \$18,940 and \$38,806, respectively.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

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.

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.

The following table reflects RMHC-Denver's financial assets as of December 31, 2023 and 2022, 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 12. 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.

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 286,412	\$ 438,881
Contributions and other receivables	543,045	456,486
Investments	13,164,374	10,735,257
Total Financial Assets	13,993,831	11,630,624
Less amounts not available to be used within one year:		
Net assets with donor restrictions	573,000	546,250
Total Amounts Not Available To Be Used Within One Year	573,000	546,250
Financial Assets Available To Meet General Expenditures Over The Next 12 Months	\$ 13,420,831	\$ 11,084,374

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

3. Restricted Investments

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

	<u>2023</u>	<u>2022</u>
Permanent endowment (Notes 7 and 8)	\$ 546,250	\$ 546,250

4. Investments

RMHC-Denver's investments, at fair value (see Note 13), consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Mutual funds:		
Bond funds	\$ 4,518,165	\$ 3,975,535
Equity funds	7,462,170	6,381,765
Money market funds	1,034,975	—
Cash held for investment	149,064	377,957
Total Investments	\$ 13,164,374	\$ 10,735,257

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

	<u>2023</u>	<u>2022</u>
Net unrealized gain (loss) on investments	\$ 1,453,771	\$ (1,822,102)
Net realized loss on sale of investments	(105,888)	(157,503)
Reinvested dividends and capital gains	343,009	214,036
Total Investment Return	\$ 1,690,892	\$ (1,765,569)

5. Pledges And Contributions Receivable

RMHC-Denver's gross pledges and contributions receivable of \$382,387 and \$357,458 at December 31, 2023 and 2022, respectively, consist of pledges and future contributions of support for general operations.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

6. Other Receivables

RMHC-Denver's Medicaid receivable of \$160,658 and \$99,028 consists of billings for stays in 2023 and 2022, respectively. The Medicaid receivables are due in less than one year. Management recorded no allowance for expected credit losses or allowance for doubtful accounts as of December 31, 2023 and 2022, respectively.

7. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose or future period:		
Aurora land use	\$ 129,882	\$ 129,997
Coca-Cola vending subsidy	26,750	—
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	\$ 702,882	\$ 676,247

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>2023</u>	<u>2022</u>
Purpose restrictions accomplished	\$ 29,776	\$ 61,724
Time restrictions expired	6,615	6,617
	\$ 36,391	\$ 68,341

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.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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 the Financial Accounting Standards Board. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

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, 2023 or 2022. As of both December 31, 2023 and 2022, the balance of the restricted portion of endowment net assets was \$546,250. Investment income from the endowment was \$19,848 during 2023, and was released from restriction within the same year. Investment income from the endowment was \$19,974 during 2022, 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, 2023 and 2022, 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.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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, 2023 and 2022. Additionally, for the years ended December 31, 2023 and 2022, there was \$6,615 and \$6,617, respectively, of the restricted contribution was released and rent expense was \$6,615 and \$6,617, respectively. As of December 31, 2023 and 2022, the value of the beneficial use of land was \$129,882 and \$129,997, respectively. As this agreement has no economic substance, it does not require additional analysis or re-measurement under ASC Topic 842, *Leases*.

10. Property And Equipment

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 167,000	\$ 167,000
Buildings and improvements	27,460,740	27,343,146
Furnishings and equipment	953,991	639,795
	<u>28,581,731</u>	<u>28,149,941</u>
Less: Accumulated depreciation	<u>(10,209,289)</u>	<u>(9,390,999)</u>
	<u>\$ 18,372,442</u>	<u>\$ 18,758,942</u>

Depreciation expense was \$818,289 and \$762,921 for the years ended December 31, 2023 and 2022, respectively.

11. 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 \$65,665 in 2023 and \$55,606 in 2022.

12. 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.

During 2022, the RMHC-Denver Board of Directors voted to release the above reserves on a go-forward basis. There were no remaining board-designated funds as of December 31, 2023 or 2022.

13. 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 (NAV) 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.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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.

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.

RMHC also holds investments valued at NAV using the practical expedient under ASU 2015-07, *Fair Value Measurement*. The investments valued at NAV are money market funds. Shares of all investments held at NAV are redeemable on any business day at their respective NAV next determined after receipt of such request and have no unfunded commitments.

No changes in the valuation methods were made during the years ended December 31, 2023 or 2022.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

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

	<u>2023</u>	<u>Level 1</u>
Mutual funds:		
Bond funds:		
U.S. fixed income	\$ 2,303,408	\$ 2,303,408
Non-U.S. fixed income	2,214,757	2,214,757
Equity funds:		
U.S. large cap stock funds	4,697,061	4,697,061
U.S. mid cap stock funds	123,886	123,886
U.S. small cap stock funds	649,252	649,252
EAFE stock funds	1,433,398	1,433,398
European large cap stock funds	365,593	365,593
Japanese large cap stock funds	141,473	141,473
Asia ex-Japan stock funds	30,213	30,213
Emerging market stock funds	21,294	21,294
	<u>11,980,335</u>	<u>\$ 11,980,335</u>

Amounts not subject to leveling:

Investments with fair value determined using NAV per share:	
Premier Fund 350	1,034,975
Cash held for investment	149,064
	<u>13,164,374</u>
Total Investments	\$ 13,164,374

	<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
	<u>10,357,300</u>	<u>\$ 10,357,300</u>

Amounts not subject to leveling:

Cash held for investment	377,957
	<u>10,735,257</u>
Total Investments	\$ 10,735,257

14. 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, 2023 and 2022, RMHC-Denver received \$535,458 and \$529,390, respectively.

RMHC Global occasionally makes grants to RMHC-Denver. These amounts totaled \$70,729 and \$43,000 for the years ended December 31, 2023 and 2022, respectively.

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.