

RONALD MCDONALD HOUSE  
CHARITIES OF OREGON AND  
SOUTHWEST WASHINGTON

Audited Financial Statements

For the Years Ended  
December 31, 2023 and 2022



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Ronald McDonald House Charities  
of Oregon and Southwest Washington

### *Opinion*

We have audited the accompanying financial statements of Ronald McDonald House Charities (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities as of December 31, 2023 and 2022, and the changes in its net assets 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities 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' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities' 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' 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.

*McDonald Jacobson, P.C.*

Portland, Oregon  
June 12, 2024

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,883,508	\$ 1,495,262
Accounts receivable	596,812	573,943
Contributions receivable	123,450	171,030
Prepaid expenses	75,167	98,454
Short-term investments	1,974,309	4,068,789
Total current assets	4,653,246	6,407,478
Investments	9,771,075	7,896,104
Contributions receivable, less current portion	100,000	75,000
Right-of-use assets	256,401	113,136
Bargain land lease contributions receivable, net	88,392	108,304
Property and equipment, net	4,196,206	4,541,709
<b>TOTAL ASSETS</b>	<b>\$ 19,065,320</b>	<b>\$ 19,141,731</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 178,429	\$ 250,653
Accrued expenses	179,662	183,626
Operating lease liabilities - current	91,824	43,257
Deferred revenue	17,549	8,400
Total current liabilities	467,464	485,936
Operating lease liabilities - non-current	164,577	69,879
Total liabilities	632,041	555,815
Net assets:		
Without donor restrictions	14,861,479	15,255,921
With donor restrictions	3,571,800	3,329,995
Total net assets	18,433,279	18,585,916
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,065,320</b>	<b>\$ 19,141,731</b>

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Public support:</b>			
Gross revenue from special events	\$ 1,633,533	\$ -	\$ 1,633,533
Less direct benefit costs	<u>(282,840)</u>	<u>-</u>	<u>(282,840)</u>
Special events, net	1,350,693	-	1,350,693
Donations and grants	847,467	507,340	1,354,807
Promotions and third party events	1,412,742	-	1,412,742
Bargain land lease contributions	-	57,094	57,094
Contributions in-kind	2,462,685	-	2,462,685
Net assets released from restrictions	<u>682,493</u>	<u>(682,493)</u>	<u>-</u>
Total public support	6,756,080	(118,059)	6,638,021
<b>Revenues and other income:</b>			
Hospital partner revenue	1,305,187	-	1,305,187
Third party reimbursements	99,184	-	99,184
Investment income, net	213,483	56,613	270,096
Realized/unrealized gain on investments	517,092	203,251	720,343
Other income	<u>159,891</u>	<u>-</u>	<u>159,891</u>
Total support and revenue	<u>9,050,917</u>	<u>141,805</u>	<u>9,192,722</u>
<b>Expenses:</b>			
Program services	8,196,450	-	8,196,450
Management and general	1,324,712	-	1,324,712
Fundraising	<u>859,764</u>	<u>-</u>	<u>859,764</u>
Total expenses	<u>10,380,926</u>	<u>-</u>	<u>10,380,926</u>
Change in net assets from operations	(1,330,009)	141,805	(1,188,204)
<b>Non-operating activities:</b>			
Capital campaign - contributions	-	1,035,567	1,035,567
Capital campaign - net assets released from restrictions	<u>935,567</u>	<u>(935,567)</u>	<u>-</u>
Change in net assets	(394,442)	241,805	(152,637)
<b>Net assets:</b>			
Beginning of year	<u>15,255,921</u>	<u>3,329,995</u>	<u>18,585,916</u>
End of year	<u>\$ 14,861,479</u>	<u>\$ 3,571,800</u>	<u>\$ 18,433,279</u>

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Public support:</b>			
Gross revenue from special events	\$ 1,615,335	\$ -	\$ 1,615,335
Less direct benefit costs	<u>(248,281)</u>	<u>-</u>	<u>(248,281)</u>
Special events, net	1,367,054	-	1,367,054
Donations and grants	2,098,620	165,260	2,263,880
Promotions and third party events	1,031,616	-	1,031,616
Bargain land lease contributions	-	54,354	54,354
Contributions in-kind	2,566,634	-	2,566,634
Net assets released from restrictions	<u>243,863</u>	<u>(243,863)</u>	<u>-</u>
Total public support	7,307,787	(24,249)	7,283,538
<b>Revenues and other income:</b>			
Hospital partner revenue	1,291,437	-	1,291,437
Third party reimbursements	75,140	-	75,140
Investment income, net	143,541	46,450	189,991
Realized/unrealized loss on investments	(987,560)	(522,751)	(1,510,311)
Other income	<u>48,077</u>	<u>-</u>	<u>48,077</u>
Total support and revenue	<u>7,878,422</u>	<u>(500,550)</u>	<u>7,377,872</u>
<b>Expenses:</b>			
Program services	7,445,026	-	7,445,026
Management and general	1,159,682	-	1,159,682
Fundraising	<u>1,018,202</u>	<u>-</u>	<u>1,018,202</u>
Total expenses	<u>9,622,910</u>	<u>-</u>	<u>9,622,910</u>
Change in net assets from operations	(1,744,488)	(500,550)	(2,245,038)
<b>Non-operating activities:</b>			
Capital campaign - contributions	-	707,947	707,947
Capital campaign - net assets released from restrictions	<u>1,059,211</u>	<u>(1,059,211)</u>	<u>-</u>
Change in net assets	(685,277)	(851,814)	(1,537,091)
<b>Net assets:</b>			
Beginning of year	<u>15,941,198</u>	<u>4,181,809</u>	<u>20,123,007</u>
End of year	<u>\$ 15,255,921</u>	<u>\$ 3,329,995</u>	<u>\$ 18,585,916</u>

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 2,793,277	\$ 1,053,150	\$ 523,230	\$ 4,369,657
Professional services	20,253	153,797	250,007	424,057
In-kind use of facility	1,934,940	-	-	1,934,940
House services and supplies	2,087,696	345	972	2,089,013
Land lease	70,011	6,995	-	77,006
Utilities	243,013	14,018	7,673	264,704
Depreciation and amortization	568,234	-	-	568,234
Repairs and maintenance	216,983	-	-	216,983
Insurance	45,632	6,690	10,014	62,336
Office and technology expenses	179,132	41,754	33,805	254,691
Direct event costs	-	-	282,841	282,841
Travel, conferences and meetings	25,856	29,941	12,758	68,555
Volunteer recruitment and staff morale	10,544	12,639	17,350	40,533
Other operating expenses	879	5,383	3,955	10,217
	<u>8,196,450</u>	<u>1,324,712</u>	<u>1,142,605</u>	<u>10,663,767</u>
Less direct benefit costs netted with revenue on statement of activities	<u>-</u>	<u>-</u>	<u>(282,841)</u>	<u>(282,841)</u>
Total expenses	<u>\$ 8,196,450</u>	<u>\$ 1,324,712</u>	<u>\$ 859,764</u>	<u>\$ 10,380,926</u>

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 2,297,075	\$ 831,048	\$ 634,740	\$ 3,762,863
Professional services	6,975	191,025	302,496	500,496
In-kind use of facility	1,870,387	-	-	1,870,387
House services and supplies	2,020,479	19,423	239	2,040,141
Land lease	68,304	6,995	-	75,299
Utilities	228,597	11,436	6,546	246,579
Depreciation and amortization	566,513	1,634	2,669	570,816
Repairs and maintenance	162,515	4,350	-	166,865
Insurance	52,002	1,839	13,448	67,289
Office and technology expenses	145,186	45,260	26,776	217,222
Direct event costs	-	-	248,281	248,281
Travel, conferences and meetings	14,244	17,729	9,457	41,430
Volunteer recruitment and staff morale	10,921	18,605	16,006	45,532
Other operating expenses	1,828	10,338	5,825	17,991
	<u>7,445,026</u>	<u>1,159,682</u>	<u>1,266,483</u>	<u>9,871,191</u>
Less direct benefit costs netted with revenue on statement of activities	<u>-</u>	<u>-</u>	<u>(248,281)</u>	<u>(248,281)</u>
Total expenses	<u>\$ 7,445,026</u>	<u>\$ 1,159,682</u>	<u>\$ 1,018,202</u>	<u>\$ 9,622,910</u>

See notes to financial statements.



RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (152,637)	\$ (1,537,091)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions to permanent endowment		
Cash from contributions restricted for capital improvements	(1,035,567)	(707,947)
Net realized and unrealized (gain) loss on investments	(720,343)	1,510,311
Loss on disposal of property and equipment	-	8,192
Depreciation and amortization	568,234	570,816
(Increase) decrease in:		
Accounts and contributions receivable	(289)	621,786
Prepaid expenses	23,287	(29,377)
Bargain land lease contributions receivable	19,912	20,945
Increase (decrease) in:		
Accounts payable and accrued expenses	(76,188)	40,527
Deferred revenue	9,149	-
Net cash flows from operating activities	<u>(1,364,442)</u>	<u>498,162</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(222,731)	(1,162,938)
Purchase of investments	(18,404,987)	(8,168,981)
Proceeds from the sale of investments	19,344,839	7,997,078
Net cash flows from investing activities	<u>717,121</u>	<u>(1,334,841)</u>
<b>Cash flows from financing activities:</b>		
Cash from contributions restricted for capital improvements	<u>1,035,567</u>	<u>707,947</u>
Net cash flows from financing activities	<u>1,035,567</u>	<u>707,947</u>
Net change in cash and cash equivalents	388,246	(128,732)
Cash and cash equivalents - beginning of year	<u>1,495,262</u>	<u>1,623,994</u>
Cash and cash equivalents - end of year	<u>\$ 1,883,508</u>	<u>\$ 1,495,262</u>
<b>Supplemental cash flow information:</b>		
Cash paid for operating leases	\$ 52,485	\$ 45,135
Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	221,852	156,609

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Ronald McDonald House Charities of Oregon and Southwest Washington (RMHC or the Organization) is a non-profit corporation, incorporated in 1982 under the laws of the State of Oregon. RMHC's House Program, its cornerstone program, provides temporary lodging, a comprehensive meal program, comfort, family-based activities, and general support for families of seriously ill and injured children who are being treated at medical facilities in the communities of Portland, Bend, and Springfield, Oregon.

RMHC operates four residential facilities, in Portland, Bend, and Springfield as part of the House Program. A 25-room stand-alone Ronald McDonald House program at the East House is owned by the Organization and is located on leased land on the campus of Legacy Emanuel Medical Center in Northeast Portland. The 76-room hospital-owned Rood Family Pavilion includes a 38-room Ronald McDonald House and a 38-Room adult patient housing program on the OHSU Campus. The 20-room hospital-owned Heartfelt House includes a 10-room Ronald McDonald House and a 10-room adult patient housing program on the campus of PeaceHealth Sacred Heart Medical Center in Springfield. Finally, an 8-room Ronald McDonald House in Bend is owned by the Organization and is located on leased land on the campus of St. Charles Hospital. One of the 8 rooms in Bend is annually rented to the hospital for use as an adult-patient housing. In 2023, RMHC's Ronald McDonald House program served over 193,280 meals and housed over 2,897 families for a total of 22,783 free nights stays.

The RMHC Hospitality Cart Program is an in-hospital program, operating in four Oregon hospitals, supporting children and families by providing free food, refreshments, and comfort care items on a fully stocked cart that travels between the hospital's neonatal ICU, pediatric ICU, and acute-care floors. This program is staffed entirely by volunteers. In 2023, RMHC closed its Hospitality Cart Program at Salem Medical Center and opened a new Hospitality Cart Program at PeaceHealth Sacred Heart Medical Center. Operations continued at Randal Children's Hospital, OHSU Doernbecher Children's Hospital and St Charles Medical Center. In 2023, RMHC Hospitality Cart program provided 6,653 sweets, treats, toys and necessities to 3,869 hospitalized children and families.

The principal sources of revenue for RMHC are donations from individuals, businesses, organizations, and contracts with hospital partners. McDonald's Corporation, together with its local franchisees, contributes to RMHC through national and local promotions, and facilitates donations from their customers through the donation box program and other initiatives.

OHSU, St. Charles Medical Center, and PeaceHealth Sacred Heart Medical Center provides hospital partner revenue through long-term agreements to support adult patient housing within the houses. Additionally, state insurance programs are billed if insurance coverage is available; however, insurance is not required.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023 and 2022

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses 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 available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included with investments are considered investments.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable from insurance billings and hospital partners are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for potentially uncollectible amounts through a valuation allowance based on its assessment of the status of individual accounts. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management believes balances are fully collectible and no allowance is necessary. The Organization separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023 and 2022

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Accounts Receivable and Allowance for Credit Losses, Continued

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at December 31, 2023 and 2022 because the composition of the trade receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. There was no allowance for credit losses established at December 31, 2023 and 2022 as management has determined balances are fully collectible.

Contributions Receivable

Contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be insignificant. Contributions receivable in more than one year, if material to the financial statements, are discounted to present value, incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Short-Term Investments

Short-term investments are comprised of money market funds and certificates of deposit, which are classified as held-to-maturity and are carried at their fair value based on the quoted market prices. Net realized and unrealized gains and losses on short-term investments are recorded in the statements of activities. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

Investments

All investments are recorded at fair value, based on quoted market prices. Any unrealized gain or loss related to holding investments is recorded in the statements of activities. Donor-restricted investment income earned on net assets with perpetual donor restrictions is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction. Interest and dividend income is accrued as earned and reported net of investment advisory fees.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023 and 2022

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, Leases, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment purchased are recorded at cost. Projects that were started, but not completed at the end of each year are included in construction in progress. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, generally 39 years for buildings, 10 to 30 years for building improvements, and 3 to 10 years for furniture, equipment, and vehicles. Repairs and maintenance are charged to expense when incurred.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount, or fair value less costs to sell.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023 and 2022

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Revenue Recognition

**Contributions, donations, and grants, promotion and third-party events:**

Contributions, donations and grants, promotion and third-party events, which include grants and unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recognized as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

**Special events:** The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

**Hospital partner revenue:** Revenue from hospital partner agreements is recognized monthly over the agreement period when the services are received by the hospital partners. Third party reimbursements are recognized as revenue when housing has been provided to eligible families.

**Third party reimbursements:** Third party reimbursements, including Medicaid billings, are recognized as revenues in the period the Organization provides lodging for a customer. Revenues are recognized as paid to the Organization.

**Contributions in-kind:** The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would be purchased if not provided by donation. These donated services are recognized at fair value. Donations of property, equipment, materials and other assets, including donated facility usage, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about the duration these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

RONALD MCDONALD HOUSE CHARITIES  
OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023 and 2022

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Expense Allocation, Continued

The allocation methodology and associated expenses that are allocated include:

- Estimates of time and effort – salaries and related costs, professional services, office expenses, information technology, and other
- Square footage - occupancy, depreciation, insurance, and utilities

Annuities

Any annuities held by the Organization are fully reinsured; as such, no liability has been recorded in the financial statements.

Income Tax Status

Ronald McDonald House Charities is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standard

Effective for financial statements for the year ended December 31, 2023, the Organization has adopted a new accounting standard issued by the Financial Accounting Standards Board (FASB) that required changes in accounting for expected credit losses on certain types of financial assets (accounts receivable). The change shifts from recognizing probable credit losses based on historical incurred losses to recognizing expected losses that are expected to occur of the life of the asset. The adoption did not result in a significant effect on amounts reported in the statement of financial position and statement of activities for 2023.

Subsequent Events

The Organization has evaluated all subsequent events through June 12, 2024, the date the financial statements were available to be issued.

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2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,883,508	\$ 1,495,262
Accounts receivable - insurance billings	399,565	315,750
Contributions receivable (current)	123,450	171,030
Short-term investments	1,974,309	4,068,789
Estimated distributions from quasi-endowments	322,542	310,197
Investments	<u>8,682,285</u>	<u>7,896,104</u>
	13,385,659	14,257,132
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions (current)	3,423,518	3,056,432
Board designations	<u>6,613,092</u>	<u>6,119,020</u>
	<u>\$ 3,349,049</u>	<u>\$ 5,081,680</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as an endowment. While the corpus of the donor-restricted endowments is not available for general use, the income from donor-restricted endowments is restricted until appropriated by the Board for general expenditure and subject to the annual spending rate up to 4%. The Board-designated endowment of \$5 million is also subject to the annual spending rate up to 4% as described in Note 11. The Organization does not intend to use funds from the board-designated endowment (other than amounts appropriated for general expenditure as a part of the annual budget approval and appropriation by the Organization's Board), but these amounts could be made available, if necessary, with a Board vote.



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2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Within short-term investments, the Board has designated \$1 million to support building maintenance and special projects. The Organization's intent is to use these funds for large one-time expenses outside the realm of operations. However, the funds could also be made available for general expenditure with a Board vote.

As a part of the Organization's liquidity management plan, it may invest cash in excess of its operating reserve requirements in short-term investments or the endowment to maximize earnings.

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contributions receivable are unsecured and consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance billings and hospital partners	\$ 399,565	\$ 315,750
Other receivables	<u>197,247</u>	<u>258,193</u>
Total accounts receivable	<u>596,812</u>	<u>573,943</u>
Contributions receivable - due within one year	123,450	171,030
Contributions receivable - due in two to five years	100,000	65,000
Contributions receivable - due in over five years	<u>-</u>	<u>10,000</u>
Total contributions receivable	<u>223,450</u>	<u>246,030</u>
Total accounts and contributions receivable	<u>\$ 820,262</u>	<u>\$ 819,973</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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4. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Certificates of deposit	\$ -	\$ 2,069,936
U.S. treasury bills	971,347	-
Money market funds	<u>1,002,962</u>	<u>1,998,853</u>
Total short-term investments	<u>\$ 1,974,309</u>	<u>\$ 4,068,789</u>

At December 31, 2022, certificates of deposit were recorded at the value reported by the bank, which approximates market value. Interest earned on the certificates ranged from 0.15% to 3.15%. Money market funds are expected to be held for over ninety days and are considered to be short-term investments.

5. INVESTMENTS

Long-term investments are summarized as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 179,778	\$ 633,242
U.S. treasury bills	479,487	-
Fixed income	481,119	2,308,958
Mutual funds and other investments	8,290,886	4,631,623
Beneficial interest in assets held	<u>339,805</u>	<u>322,281</u>
Total long-term investments	<u>\$ 9,771,075</u>	<u>\$ 7,896,104</u>

Long-term investments consist of the endowment funds (see Note 11) and other investments with maturities greater than one year. Such investments are carried at fair value.

Investments and short-term investments are held for the following purposes:

	<u>2023</u>	<u>2022</u>
Endowment	\$ 8,682,286	\$ 7,896,104
Board designated funds	1,056,297	1,088,543
Undesignated	<u>2,006,801</u>	<u>2,980,246</u>
Total investments	<u>\$ 11,745,384</u>	<u>\$ 11,964,893</u>

RONALD MCDONALD HOUSE CHARITIES  
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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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5. INVESTMENTS, Continued

The Organization has a fund with Oregon Community Foundation (OCF) under OCF's Endowment Partners Program. The Organization's fund is pooled with other assets managed by OCF and is invested in debt, equity and other securities which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF; however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. Also under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization. The beneficial interest in assets held is included in endowment net assets (Note 11).

6. BARGAIN LAND LEASES

Commencing on June 1, 1995, RMHC was given a significant lease concession by Legacy Emanuel Hospital and Health Center, when a member of the Board of Directors is employed, for the approximately 1.5 acres of land that the East House occupies. The agreement stipulates land lease costs will be \$1 per year through 2025. RMHC may extend the term of the lease for ten additional years under the same terms. RMHC intends to exercise this option. The agreement also stipulates that the terms of the bargain lease apply as long as the property is used for the stated charitable purpose. Should the property be used for any other purpose, the yearly lease amount would be equal to 10% of the current fair market value of the property.

The lessor entered into the lease in continued recognition of their partnership and therefore, the value of the benefit is recognized on the financial statements. Accounting principles generally accepted in the United States of America (GAAP) require that the present value of the estimated future lease payments which will not be paid be recorded as a contribution in the year received. Additionally, GAAP requires that the fair value of each year's land lease be recorded as an expense, that the initial contribution be amortized over its term, and that an additional contribution be recorded annually which represents the approximate interest increase in the initial contribution.

An appraisal established a market value of \$355,000 for the property, as of June 1, 1995. The estimated inflation rate, which the property is subject to during the period June 1, 1995 through May 31, 2035, is 2.5%. The future estimated lease payments are discounted at the one-year Treasury Bill discount rate at the June 22, 1995 auction, of 5.22%. The present value of the estimated future lease payments of \$847,340 was recorded on the statement of financial position as bargain land lease contribution receivable.

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6. BARGAIN LAND LEASES, Continued

The Bend location holds a bargain land lease agreement with St. Charles Medical Center, an unrelated nonprofit organization. Under terms of the agreement the Organization rents approximately 2.5 acres of land on which their building is located for \$100 per year through 2025. The present value of the estimated future lease payments of \$209,850 was recorded on the statement of financial position as bargain land lease contribution receivable at lease inception in 1995.

The unamortized contributions receivable is as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
East House:		
Bargain land lease contribution receivable	\$ 847,340	\$ 847,340
Less accumulated amortization	<u>772,940</u>	<u>760,023</u>
	<u>74,400</u>	<u>87,317</u>
Bend House:		
Bargain land lease contributions receivable	\$ 209,850	\$ 209,850
Less accumulated amortization	<u>195,858</u>	<u>188,863</u>
	<u>13,992</u>	<u>20,987</u>
Bargain land lease contribution receivable, net	<u>\$ 88,392</u>	<u>\$ 108,304</u>

The fair value of the land lease expense was \$77,006 and \$75,299 in 2023 and 2022, respectively. The contribution income from the bargain land leases recognized was \$57,094 and \$54,354 in 2023 and 2022, respectively. The amount of net assets released from restriction for the expiration of time was \$19,912 and \$20,945 in 2023 and 2022, respectively.

7. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of office space and equipment leases with remaining lease terms of 1 to 5 years.

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7. OPERATING LEASES, Continued

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Operating leases:</b>		
Right-of-use-assets	\$ 256,401	\$ 113,136
Lease liabilities-current portion	\$ 91,824	\$ 43,257
Noncurrent lease liabilities	<u>164,577</u>	<u>69,879</u>
Total operating lease liabilities	<u>\$ 256,401</u>	<u>\$ 113,136</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term	4	2.64 years
Weighted average discount rate	3.40%	1.35%

The maturities of lease liabilities as of December 31, 2023 are as follows:

Year ending December 31, 2024	99,729
2025	79,733
2026	35,929
2027	34,236
2028	<u>25,677</u>
	275,304
Less discount/interest	<u>(18,903)</u>
Present value of lease liabilities	<u>\$ 256,401</u>

For the years ended December 31, 2023 and 2022, total operating lease cost of \$69,150 and \$45,135, respectively, is included in office and technology expenses on the statement of functional expenses.

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8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 8,024,230	\$ 7,801,500
Furniture and equipment	<u>2,161,820</u>	<u>2,161,820</u>
	10,186,050	9,963,320
Less accumulated depreciation	<u>5,989,844</u>	<u>5,421,611</u>
Property and equipment, net	<u>\$ 4,196,206</u>	<u>\$ 4,541,709</u>

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 4,052,181	\$ 4,595,192
Board designated - endowment (Note 11)	5,556,795	5,030,477
Board designated - building fund	792,458	824,703
Board designated - special project	263,839	263,840
Property and equipment, net	<u>4,196,206</u>	<u>4,541,709</u>
Total net assets without donor restrictions	<u>\$ 14,861,479</u>	<u>\$ 15,255,921</u>

The Board of Trustees reviews significant major gifts and, when appropriate, designates them to the endowment fund. Board designated amounts are invested in marketable securities with net assets with donor restrictions (see Notes 5 and 11) and are tracked separately.

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OF OREGON AND SOUTHWEST WASHINGTON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
With expiring donor restrictions:		
Balance of bargain land leases	\$ 88,392	\$ 108,304
East House construction and upgrades	107,500	7,500
Heartfelt House (Springfield)	134,101	139,617
Bend House	22,321	12,820
Endowment earnings (Note 11)	1,417,339	1,157,475
Time-restrictions	59,890	165,260
Other purpose restrictions	<u>34,105</u>	<u>30,867</u>
Total with donor expiring restrictions	1,863,648	1,621,843
With donor perpetual restrictions	<u>1,708,152</u>	<u>1,708,152</u>
Total net assets with donor restrictions	<u>\$ 3,571,800</u>	<u>\$ 3,329,995</u>

Net assets with perpetual donor restrictions consist of donations to the endowment fund. Investment earnings from the endowment support the work of RMHC (also see Note 11).

11. ENDOWMENT

RMHC's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of Ronald McDonald House Charities has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or 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, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts, including subsequent gifts, donated to the donor restricted endowment and (b) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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II. ENDOWMENT, Continued

Interpretation of Relevant Law, Continued

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

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

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

The Organization classifies gift amounts received from donors that are restricted to the endowment fund as net assets with donor restrictions in perpetuity. If the market value of a donor-restricted endowment fund exceeds the original gift as a result of investment earnings, then the excess amount is classified within net assets with donor restrictions, until all or a portion of the excess is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Funds designated by the Board of Trustees to function as an endowment are classified as net assets without donor restrictions. If the market value of an endowment is less than the original gift amount, the valuation difference is reflected in the financial statements as a reduction of net assets without donor restrictions.

Return Objectives and Risk Parameters

RMHC 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 or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indexes while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3% plus inflation, annually. Actual returns in any given year may vary from this amount.



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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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II. ENDOWMENT, Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

RMHC has a policy of appropriating for distribution of up to 4% of the fund balance. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at the average annual rate of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		
		<u>Expiring</u>	<u>Perpetual</u>	<u>Total</u>
<b>December 31, 2023</b>				
Donor-restricted	\$ -	\$ 1,417,339	\$ 1,708,152	\$ 3,125,491
Board-designated	<u>5,556,795</u>	<u>-</u>	<u>-</u>	<u>5,556,795</u>
Total Funds	<u>\$ 5,556,795</u>	<u>\$ 1,417,339</u>	<u>\$ 1,708,152</u>	<u>\$ 8,682,286</u>
<b>December 31, 2022</b>				
Donor-restricted	\$ -	\$ 1,157,475	\$ 1,708,152	\$ 2,865,627
Board-designated	<u>5,030,477</u>	<u>-</u>	<u>-</u>	<u>5,030,477</u>
	<u>\$ 5,030,477</u>	<u>\$ 1,157,475</u>	<u>\$ 1,708,152</u>	<u>\$ 7,896,104</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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II. ENDOWMENT, Continued

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor	With Donor Restrictions		Total
	Restrictions	Expiring	Perpetual	
Endowment net assets -				
December 31, 2021	\$ 5,867,228	\$ 1,633,776	\$ 1,708,152	\$ 9,209,156
Investment return:				
Investment income, net of fees	91,875	46,450	-	138,325
Change in value of investments	(928,626)	(469,504)	-	(1,398,130)
Change in beneficial interest	-	(53,247)	-	(53,247)
Endowment net assets -				
December 31, 2022	5,030,477	1,157,475	1,708,152	7,896,104
Investment return:				
Investment income, net of fees	125,215	56,613	-	181,828
Change in value of investments	401,103	185,727	-	586,830
Change in beneficial interest	-	17,524	-	17,524
Endowment net assets -				
December 31, 2023	<u>\$ 5,556,795</u>	<u>\$ 1,417,339</u>	<u>\$ 1,708,152</u>	<u>\$ 8,682,286</u>

12. CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

The Organization received the following contributions of nonfinancial assets and services for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Programs:		
Facilities	\$1,934,940	\$ 1,870,387
Room furnishings	230,370	377,135
Meals	143,036	115,591
Services	8,696	7,421
Events:		
Auction	141,518	196,100
Services	1,125	-
Management:		
Services	<u>3,000</u>	<u>-</u>
Total contributed nonfinancial assets and services	<u>\$2,462,685</u>	<u>\$2,566,634</u>

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December 31, 2023 and 2022

12. CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES, Continued

The Organization received donated facility usage for both the OHSU Rood Family Pavilion (South Waterfront) and the PeaceHealth Heartfelt House (Springfield).

- The Organization recognized contributed nonfinancial assets within revenue, including property and equipment, office equipment and supplies, family support supplies, utilities, auction items, rent, accounting services and legal services.
- In valuing property and equipment, the Organization estimated fair value at the date of donation.
- In valuing office equipment and supplies, family support services, and auction items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

In addition, in 2023 and 2022, the Organization received over 14,000 and 12,000 hours, respectively, of volunteer service from volunteers who assist in various capacities, including house operations, family centered programming, fundraising and management oversight by the Board of Trustees. No amounts have been reflected in the financial statements related to these donated services, as they do not meet the criteria described in Note 1.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statements of financial position.

- Revenue from hospital partners (\$1,305,187 for 2023 and \$1,267,393 for 2022) is recognized monthly over the agreement period when services are provided to hospital partners. The contracts extend for 10 years with an optional 5-year renewal period and can be cancelled mutually with no notice, or unilaterally by either party with 180 days notice.

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13. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

- Revenue from third party reimbursements (\$99,184 for 2023 and \$75,140 for 2022) are recognized when the Organization has provided housing to eligible families. These amounts are due from third party payers, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

The beginning and ending contract balances are as follows at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable (contract assets):			
Hospital partner receivable	<u>\$ 399,565</u>	<u>\$ 315,750</u>	<u>\$ 406,729</u>

There are no contract liabilities associated with these revenue streams at December 31, 2023, 2022, and 2021.

14. RELATED PARTY TRANSACTIONS

The Organization pays 25% of net revenue from donation box collections (Note 16) at McDonald's restaurants to Global Ronald McDonald House Charities (Global). The total amount paid during the years ended December 31, 2023 and 2022 was \$242,344 and \$154,488, respectively. In addition, Global made contributions to the Organization in the amounts of \$9,200 in 2023 and \$258,000 in 2022. Additionally, the Organization receives in-kind space from OHSU and PeaceHealth where board members are employed (Note 12).

15. CONCENTRATIONS OF CREDIT RISK

The Organization operates three residences in Oregon and receives a majority of its funding through fundraising initiatives in this geographic area. If fundraising activities were discontinued or compromised, it could have a significant adverse effect on the Organization.

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$1,703,200 and \$1,291,500 as of December 31, 2023 and 2022, respectively.

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15. **CONCENTRATIONS OF CREDIT RISK, Continued**

Investments, including short-term investments, are exposed to various risks such as interest rate, market, 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

16. **DONATION BOX COLLECTIONS**

The Organization provides donation boxes which are placed in local McDonald's restaurants. Global collects and remits funds net of any fees to the Organization (Note 14). For the years ended December 31, 2023 and 2022, donation box collections were \$62,824 and \$68,531, respectively.

17. **RETIREMENT PLAN**

The Organization has a SIMPLE IRA retirement plan for its employees. All employees earning at least \$5,000 per year are eligible to participate after completing one month of employment. Eligible employees may make pre-tax contributions up to an amount defined by law. The Organization matches employee contributions up to a maximum of 3% of salary. For the years ended December 31, 2023 and 2022, RMHC contributed approximately \$74,300 and \$69,000, respectively.

18. **FAIR VALUE MEASUREMENTS**

Assets recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets and liabilities.

**Level 2:** Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

**Level 3:** Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

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18. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at December 31, 2023 and 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2023</b>				
<b>Investments:</b>				
Treasury bills	\$ 1,450,834	\$ -	\$ -	\$ 1,450,834
Money market funds	1,182,740	-	-	1,182,740
<b>Fixed income:</b>				
Corporate obligations	-	481,119	-	481,119
<b>Equities and other:</b>				
Domestic mutual funds	7,883,341	-	-	7,883,341
International mutual funds	407,545	-	-	407,545
Beneficial interest of assets held	-	-	339,805	339,805
	<u>\$ 10,924,460</u>	<u>\$ 481,119</u>	<u>\$ 339,805</u>	<u>\$ 11,745,384</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2022</b>				
<b>Investments:</b>				
Money market funds	\$ 2,632,095	\$ -	\$ -	\$ 2,632,095
<b>Fixed income:</b>				
Corporate obligations	-	2,308,958	-	2,308,958
<b>Equities and other:</b>				
Domestic mutual funds	3,115,635	-	-	3,115,635
International mutual funds	1,182,026	-	-	1,182,026
Real estate fund	333,962	-	-	333,962
Beneficial interest of assets held	-	-	322,281	322,281
	<u>\$ 7,263,718</u>	<u>\$ 2,308,958</u>	<u>\$ 322,281</u>	<u>\$ 9,894,957</u>

The fair values for money market funds and mutual funds are determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

The fair value for corporate debt securities are based on pricing models, quoted prices of securities with similar characteristics, yield curves, and other relevant economic measures.

Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach.

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18. FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include:

Beneficial interest in assets held by OCF as of December 31, 2023 and 2022:

	2023	2022
Beginning balance	\$ 322,281	\$ 375,528
Change in value	17,524	(53,247)
Ending balance	\$ 339,805	\$ 322,281

The change in value is included in realized/unrealized gain (loss) as with donor restrictions on the statements of activities.