

# ELLIN & TUCKER

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



**RMHC**<sup>®</sup>  
Maryland

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**December 31, 2022 and 2021**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
 Ronald McDonald House Charities of Maryland, Inc.

**OPINION**

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We audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Maryland, Inc. and Subsidiary (collectively referred to as the Organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2022 and 2021, the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**BASIS FOR OPINION**

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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 Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

**RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**INDEPENDENT AUDITORS' REPORT, CONTINUED****AUDITORS' RESPONSIBILITIES FOR THE AUDITS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

We are required to communicate with those charged with governance matters regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



ELLIN & TUCKER  
Certified Public Accountants

Baltimore, Maryland  
May 22, 2023

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**  
**December 31, 2022 and 2021**

**ASSETS**

<b>ASSETS</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash and Cash Equivalents	\$ 3,396,366	\$ 2,281,759
Restricted Cash	184,528	249,528
Investments (Note 2)	12,191,578	13,621,986
Pledges Receivable, Net (Note 3)	347,500	627,000
Other Receivables	206,293	294,888
Note Receivable (Note 5)	8,115,600	8,115,600
Prepaid Expenses and Other Assets	71,450	74,264
Property and Equipment, Net (Note 4)	29,373,635	30,453,794
 Total Assets	 <b><u>\$ 53,886,950</u></b>	 <b><u>\$ 55,718,819</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 340,023	\$ 309,927
Notes Payable (Note 6)	11,543,683	11,470,724
 Total Liabilities	 <b><u>11,883,706</u></b>	 <b><u>11,780,651</u></b>

**COMMITMENTS (Note 8)**

<b>NET ASSETS</b>		
Without Donor Restrictions	41,376,216	43,202,943
With Donor Restrictions (Note 9)	627,028	735,225
 Total Net Assets	 <b><u>42,003,244</u></b>	 <b><u>43,938,168</u></b>
 Total Liabilities and Net Assets	 <b><u>\$ 53,886,950</u></b>	 <b><u>\$ 55,718,819</u></b>

*(See Independent Auditors' Report and Accompanying Notes)*

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 1,909,054	\$ 195,401	\$ 2,104,455	\$ 1,974,567	\$ 222,317	\$ 2,196,884
Special Events	1,770,805	-	1,770,805	1,569,878	-	1,569,878
Grant Revenue from Ronald McDonald House Charities, Inc.	234,249	-	234,249	260,392	-	260,392
Room Donations	30,108	-	30,108	21,112	-	21,112
In-Kind Contributions (Note 11)	558,366	-	558,366	388,436	-	388,436
Paycheck Protection Program Loan Forgiveness Income (Note 6)	-	-	-	478,968	-	478,968
Employee Retention Credit (Note 7)	-	-	-	386,659	-	386,659
Net Assets Released from Restrictions	234,686	(234,686)	-	230,466	(230,466)	-
Total Revenues, Gains, and Other Support	<u>4,737,268</u>	<u>(39,285)</u>	<u>4,697,983</u>	<u>5,310,478</u>	<u>(8,149)</u>	<u>5,302,329</u>
<b>EXPENSES</b>						
Program Services	3,892,371	-	3,892,371	3,541,556	-	3,541,556
Management and General	446,060	-	446,060	380,207	-	380,207
Fundraising	426,436	-	426,436	383,605	-	383,605
Cost of Direct Benefits to Donors	518,864	-	518,864	330,409	-	330,409
Total Expenses	<u>5,283,731</u>	<u>-</u>	<u>5,283,731</u>	<u>4,635,777</u>	<u>-</u>	<u>4,635,777</u>
Change in Net Assets from Operations	(546,463)	(39,285)	(585,748)	674,701	(8,149)	666,552
<b>INVESTMENT (LOSS) INCOME, NET (Note 2)</b>	<u>(1,280,264)</u>	<u>(68,912)</u>	<u>(1,349,176)</u>	<u>1,206,868</u>	<u>56,764</u>	<u>1,263,632</u>
Change in Net Assets	(1,826,727)	(108,197)	(1,934,924)	1,881,569	48,615	1,930,184
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>43,202,943</u>	<u>735,225</u>	<u>43,938,168</u>	<u>41,321,374</u>	<u>686,610</u>	<u>42,007,984</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 41,376,216</u>	<u>\$ 627,028</u>	<u>\$ 42,003,244</u>	<u>\$ 43,202,943</u>	<u>\$ 735,225</u>	<u>\$ 43,938,168</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**  
**For the Year Ended December 31, 2022**

	Program Services	Supporting Services			Cost of Direct Benefits to Donors	
		Management and General	Fundraising	Total		Total
Salaries	\$ 1,141,105	\$ 116,071	\$ 250,490	\$ 366,561	\$ -	\$ 1,507,666
Employee Benefits	85,896	9,695	27,790	37,485	-	123,381
Payroll Taxes	92,457	8,477	18,444	26,921	-	119,378
<b>Total Salaries and Related Expenses</b>	<b>1,319,458</b>	<b>134,243</b>	<b>296,724</b>	<b>430,967</b>	<b>-</b>	<b>1,750,425</b>
Bad Debt	-	650	-	650	-	650
Bank Charges	-	101,314	-	101,314	-	101,314
Conferences and Meetings	26,288	8,611	281	8,892	-	35,180
Dues and Subscriptions	8,104	102	235	337	-	8,441
Family Support Services	345,426	-	-	-	-	345,426
House Operations	127,236	11,477	1,816	13,293	-	140,529
House Security	216,080	-	-	-	-	216,080
House Supplies	134,501	4,064	785	4,849	-	139,350
Insurance	64,272	4,500	-	4,500	-	68,772
Interest	-	81,611	-	81,611	-	81,611
Lease	50,000	-	-	-	-	50,000
Maintenance and Repairs	94,718	4,168	-	4,168	-	98,886
Marketing and Public Relations	55,382	989	50,971	51,960	-	107,342
Postage, Printing, and Publishing	728	260	25,376	25,636	-	26,364
Professional Development	10,990	6,198	80	6,278	-	17,268
Professional Fees	6,930	57,271	-	57,271	-	64,201
Special Events	4,636	-	41,913	41,913	518,864	565,413
Telephone	17,708	4,163	1,476	5,639	-	23,347
Transportation and Parking	5,900	1,045	474	1,519	-	7,419
Utilities	129,607	229	409	638	-	130,245
<b>Total Expenses before Depreciation and Amortization</b>	<b>2,617,964</b>	<b>420,895</b>	<b>420,540</b>	<b>841,435</b>	<b>518,864</b>	<b>3,978,263</b>
Depreciation and Amortization	1,274,407	25,165	5,896	31,061	-	1,305,468
<b>Total Expenses</b>	<b>\$ 3,892,371</b>	<b>\$ 446,060</b>	<b>\$ 426,436</b>	<b>\$ 872,496</b>	<b>\$ 518,864</b>	<b>\$ 5,283,731</b>

*(See Independent Auditors' Report and Accompanying Notes)*



**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**  
**For the Year Ended December 31, 2021**

	Program Services	Supporting Services			Cost of	
		Management and General	Fundraising	Total	Direct Benefits to Donors	Total
Salaries	\$ 1,041,926	\$ 96,753	\$ 213,517	\$ 310,270	\$ -	\$ 1,352,196
Employee Benefits	66,821	5,307	20,470	25,777	-	92,598
Payroll Taxes	88,161	7,896	16,375	24,271	-	112,432
<b>Total Salaries and Related Expenses</b>	<b>1,196,908</b>	<b>109,956</b>	<b>250,362</b>	<b>360,318</b>	<b>-</b>	<b>1,557,226</b>
Bank Charges	-	93,349	-	93,349	-	93,349
Cleaning Services and Supplies	47,928	-	-	-	-	47,928
Conferences and Meetings	12,994	1,286	78	1,364	-	14,358
Dues and Subscriptions	6,569	1,920	187	2,107	-	8,676
Family Support Services	254,991	-	-	-	-	254,991
House Operations	90,229	4,030	1,390	5,420	-	95,649
House Security	178,896	-	-	-	-	178,896
House Supplies	88,365	1,497	740	2,237	-	90,602
Insurance	54,982	4,500	-	4,500	-	59,482
Interest	-	81,611	-	81,611	-	81,611
Lease	50,000	-	-	-	-	50,000
Maintenance and Repairs	87,294	4,196	168	4,364	-	91,658
Marketing and Public Relations	68,784	20	68,976	68,996	-	137,780
Postage, Printing, and Publishing	1,680	829	19,303	20,132	-	21,812
Professional Development	4,289	1,051	2,556	3,607	-	7,896
Professional Fees	-	46,821	-	46,821	-	46,821
Special Events	-	-	32,848	32,848	330,409	363,257
Telephone	14,978	3,810	600	4,410	-	19,388
Transportation and Parking	1,857	-	204	204	-	2,061
Utilities	115,493	190	341	531	-	116,024
<b>Total Expenses before Depreciation and Amortization</b>	<b>2,276,237</b>	<b>355,066</b>	<b>377,753</b>	<b>732,819</b>	<b>330,409</b>	<b>3,339,465</b>
Depreciation and Amortization	1,265,319	25,141	5,852	30,993	-	1,296,312
<b>Total Expenses</b>	<b>\$ 3,541,556</b>	<b>\$ 380,207</b>	<b>\$ 383,605</b>	<b>\$ 763,812</b>	<b>\$ 330,409</b>	<b>\$ 4,635,777</b>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (1,934,924)	\$ 1,930,184
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation and Amortization	1,305,468	1,296,312
Paycheck Protection Program Loan Forgiveness Income	-	(478,968)
Gain on Sale of Property and Equipment	-	(14,592)
Loss (Gain) on Investments, Net	1,614,502	(1,049,735)
<b>Net Changes in:</b>		
Pledges and Other Receivables	83,095	(225,572)
Prepaid Expenses and Other Assets	2,814	(5,522)
Accounts Payable and Accrued Expenses	30,096	131,133
Net Cash Provided by Operating Activities	<u>1,101,051</u>	<u>1,583,240</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,932,431)	(5,361,478)
Sales of Investments	1,748,337	2,429,366
Proceeds from Sale of Property and Equipment	-	14,592
Expenditures for Property and Equipment	(152,350)	(145,785)
Net Cash Used in Investing Activities	<u>(336,444)</u>	<u>(3,063,305)</u>
<b>FINANCING ACTIVITIES</b>		
Collections of Contributions Restricted for Long-Term Purposes	285,000	735,300
Proceeds from Paycheck Protection Program – Refundable Advance	-	258,384
Net Cash Provided by Financing Activities	<u>285,000</u>	<u>993,684</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,049,607	(486,381)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – BEGINNING OF YEAR</b>	<u>2,531,287</u>	<u>3,017,668</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR</b>	<u>\$ 3,580,894</u>	<u>\$ 2,531,287</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES**

Ronald McDonald House Charities of Maryland, Inc. (RMH) is a not-for-profit organization that provides a home away from home for seriously ill children and their families. When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. RMH helps families stay close to their ill or injured child through the Ronald McDonald House program located in Baltimore, which provides temporary lodging, meals, and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team, and to participate in critical medical care decisions.

Hope Has a New Address: RMH 2.0, Inc. (RMH 2.0) was formed in 2018 for the purpose of the construction of the new house (Note 15). RMH is the sole member of RMH 2.0.

**PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of RMH and RMH 2.0 (collectively referred to as the Organization). All significant intercompany transactions and balances were eliminated in consolidation.

**ACCOUNTING STANDARDS CODIFICATION**

All references in the consolidated financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

**BASIS OF ACCOUNTING AND PRESENTATION**

The consolidated financial statements were prepared on the accrual basis of accounting in accordance with GAAP and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

*(See Independent Auditors' Report)*

**REVENUE RECOGNITION**

Unconditional promises to give are recognized as revenue in the period the promise was 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 elapses, when the stipulated purpose for which the resource was restricted is fulfilled, or both.

**USE OF ESTIMATES**

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

**FUNCTIONAL EXPENSES**

Functional expenses are allocated between program and supporting services based on an analysis of personnel's time and space utilized for the related activities.

**CASH AND CASH EQUIVALENTS**

The Organization maintains its cash in bank deposit accounts and money market funds, which at times may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

**RESTRICTED CASH**

In accordance with the loan agreements to finance the construction of the new house (Note 15), the Organization was required to establish reserve accounts. The funds are used to pay certain asset management and servicing fees.

**PLEDGES AND OTHER RECEIVABLES**

Pledges and other receivables are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are

*(See Independent Auditors' Report)*

computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Pledges and other receivables are written off when deemed uncollectible.

#### **PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

#### **VALUATION OF LONG-LIVED ASSETS**

The Organization evaluates its long-lived assets for any events or changes in circumstances that indicate that the carrying amount of such assets may not be fully recoverable. The Organization 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.

#### **NET ASSETS**

The Organization's net assets and changes therein are classified and reported as follows:

##### Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law. The Board of Directors designated, from net assets without donor restrictions, net assets for capital reserves as of December 31, 2022 and 2021 in the amount of \$4,000,000.

##### With Donor Restrictions

Net assets that are subject to donor-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.

#### **DONATED ASSETS, PROPERTY AND EQUIPMENT, AND SERVICES**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor restricts the

*(See Independent Auditors' Report)*

donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable and, therefore, are excluded from the consolidated financial statements.

#### **CONTRIBUTED NONFINANCIAL ASSETS**

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets with Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the Consolidated Statements of Activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The Organization adopted ASU 2020-07 for the year ended December 31, 2022.

#### **INCOME TAXES**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the Organization's evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it took any tax positions that would not meet this threshold.

#### **INVESTMENTS**

Investments are reported at fair value in the Consolidated Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets. See Note 2 for a discussion of fair value measurements.

*(See Independent Auditors' Report)*

**RISK AND UNCERTAINTIES**

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit, and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

**RECLASSIFICATIONS**

Certain prior year amounts were reclassified to conform to the current year presentation.

**NOTE 2 VALUATION OF INVESTMENTS**

Investments at December 31, 2022 and 2021 consisted of the following:

	<b>2022</b>	<b>2021</b>
Cash Equivalents	\$ 861,839	\$ 1,773,631
Fixed Income Funds	3,224,037	3,228,198
Equity Funds	8,105,702	8,620,157
Total	\$ 12,191,578	\$ 13,621,986

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
  
- Level 2     Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Below is a description of the valuation methodology used for assets measured at fair value. There were no changes in the methodology used at December 31, 2022 and 2021.

Fixed Income and Equity Funds: Valued at quoted prices in an active market.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment securities at fair value as of December 31, 2022 and 2021:

	<b>Level 1 and Total</b>	
	<b>2022</b>	<b>2021</b>
<b>Fixed Income Funds:</b>		
Bond Funds	\$ 3,224,037	\$ 3,228,198
<b>Equity Funds:</b>		
Emerging Markets	586,594	882,140
International	2,120,459	2,432,697
Large Cap Blend	2,331,741	2,261,862
Large Cap Growth	453,571	552,594
Large Cap Value	1,072,889	1,099,966
Mid Cap Value	175,616	-
Small Cap Growth	709,663	492,328
Small Cap Blend	655,169	898,570
	<u>\$ 11,329,739</u>	<u>\$ 11,848,355</u>
Investment Securities, at Fair Value		

*(See Independent Auditors' Report)*



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**

Cash equivalents are excluded from the fair value hierarchy because cash equivalents are generally measured at cost. As such, short-term investments of \$861,839 and \$1,773,631 held in the Organization's investment portfolio at December 31, 2022 and 2021, respectively, were excluded from this table.

Investment income (losses) for the years ended December 31, 2022 and 2021 consisted of the following:

	<b>2022</b>	<b>2021</b>
Dividends and Interest	\$ 295,141	\$ 237,990
Net Realized Gain on Sale of Investments	142,703	682,057
Unrealized (Depreciation) Appreciation on Investments	(1,757,205)	367,678
	(1,319,361)	1,287,725
Less: Investment Fees	29,815	24,093
	<b>\$ (1,349,176)</b>	<b>\$ 1,263,632</b>

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable represent unconditional promises to give from donors. Pledges receivable at December 31, 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Amounts Due in Less Than One Year	\$ 275,000	\$ 495,000
Amounts Due in One to Five Years	75,000	150,000
Total Commitment	350,000	645,000
Less: Allowance for Uncollectibility	-	10,000
Less: Present Value of Money Discount	2,500	8,000
Pledges Receivable, Net	<b>\$ 347,500</b>	<b>\$ 627,000</b>

Pledges that are due in more than one year are reflected at the present value of expected future cash flows using a discount rate of 3%.

*(See Independent Auditors' Report)*

**NOTE 4**    **PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2022 and 2021 consisted of the following:

	<b>2022</b>	<b>2021</b>
Building and Improvements	\$ 31,543,250	\$ 31,399,983
Furniture and Office Equipment	2,430,806	2,430,806
Automotive Equipment	134,249	125,166
	34,108,305	33,955,955
Less: Accumulated Depreciation	4,734,670	3,502,161
Total	\$ 29,373,635	\$ 30,453,794

**NOTE 5**    **NOTE RECEIVABLE**

In July 2018, the Organization entered into a loan agreement with RMH Baltimore Investment Fund, LLC to facilitate the tax credit transactions used to fund the construction of the new house (Note 15). The note receivable at December 31, 2022 requires interest-only quarterly payments at 1% through December 2025. Effective March 2026, interest and principal payments of approximately \$93,000 will be due in quarterly installments through maturity on September 1, 2050.

**NOTE 6**    **NOTES PAYABLE**

Notes payable as of December 31, 2022 and 2021 consisted of:

	<b>2022</b>	<b>2021</b>
Note Payable, interest only at .739% through March 1, 2026, then quarterly payments of \$48,861 until maturity in December 2056, collateralized by new house	\$ 5,410,400	\$ 5,410,400
Note Payable, interest only at .739% through March 1, 2026, then quarterly payments of \$20,858 until maturity in December 2056, collateralized by new house	2,309,600	2,309,600
Note Payable, interest only at .739% through March 1, 2026, then quarterly payments of \$24,430 until maturity in December 2056, collateralized by new house	2,705,200	2,705,200

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**

	<b>2022</b>	<b>2021</b>
Note Payable, interest only at .739% through March 1, 2026, then quarterly payments of \$11,693 until maturity in December 2056, collateralized by new house	1,294,800	1,294,800
	11,720,000	11,720,000
Less: Loan Origination Fees, Net of Accumulated Amortization of \$325,275 and \$252,316, Respectively	176,317	249,276
	<b>\$ 11,543,683</b>	<b>\$ 11,470,724</b>

Future principal payments on notes payable are as follows:

Year Ending December 31,	2023	\$	-
	2024		-
	2025		-
	2026		-
	2027		-
	Thereafter		11,720,000
			<b>\$ 11,720,000</b>

In April 2020, the Organization received loan proceeds in the amount of \$220,584 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). In June 2021, the PPP loan proceeds were forgiven by the SBA. The Organization recognized these proceeds as grant revenue on the Consolidated Statement of Activities during the year ended December 31, 2021.

Under the second round of PPP funding, the Organization applied for and was approved for an additional \$258,384 loan. The loan was received in April 2021. The Organization received forgiveness of \$258,384 in December 2021, and the Organization recognized these proceeds as grant revenue on the Consolidated Statement of Activities during the year ended December 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with PPP requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

*(See Independent Auditors' Report)*

**NOTE 7**    **EMPLOYEE RETENTION CREDIT**

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. During the year ended December 31, 2021, the Organization applied for the Employee Retention Credit (ERC) from the Internal Revenue Service (IRS). The Organization recognized \$386,659 of grant revenue related to performance requirements being met in compliance with the program during the year ended December 31, 2021.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization's financial position.

**NOTE 8**    **COMMITMENTS**

The Organization has a ground lease with the city of Baltimore for the land for \$1 per year through July 2066 with an option to extend for an additional 25 years. The Organization recorded the fair value of this rent of approximately \$50,000 as in-kind contributions revenue and lease expense for each of the years ended December 31, 2022 and 2021.

**NOTE 9**    **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
<b>Subject to Expenditure for Specified Purposes:</b>		
Pergola Construction	\$ 40,462	\$ -
Family Expenses	37,653	37,743
Vending Product	6,621	1,104
Shuttle Bus and Van	-	5,416
Other	6,014	6,628
<b>Subject to Organization's Spending Policy and Appropriation:</b>		
<b>Investment in Perpetuity (Including Amounts Greater Than Original Gift Amounts of \$481,250), Which Once Appropriated, is Expendable to Support:</b>		
Any Activities of the Organization	536,278	684,334
Total	<u>\$ 627,028</u>	<u>\$ 735,225</u>

*(See Independent Auditors' Report)*

**NOTE 10** ENDOWMENT FUNDS

The Organization's endowment consists of one donor-restricted endowment fund established to provide a source of income for ongoing operating expenses. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**INTERPRETATION OF RELEVANT LAW**

The Organization is subject to the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors interprets UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization interprets UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund
- (2) Purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) Investment policies of the Organization

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**

**ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2022:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Donor-Restricted Endowment Funds:</b>			
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ -	\$ 481,250	\$ 481,250
Accumulated Investment Gains	-	55,028	55,028
	\$ -	\$ 536,278	\$ 536,278

**ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2021:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Donor-Restricted Endowment Funds:</b>			
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ -	\$ 481,250	\$ 481,250
Accumulated Investment Gains	-	203,084	203,084
	\$ -	\$ 684,334	\$ 684,334

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Ronald McDonald House Charities of Maryland, Inc. and Subsidiary**

**CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Funds, January 1, 2021	\$ -	\$ 627,570	\$ 627,570
Investment Return, Net	-	56,764	56,764
Endowment Funds, December 31, 2021	-	684,334	684,334
Investment Return, Net	-	(68,912)	(68,912)
Appropriation of Endowment Assets for Expenditure	-	(79,144)	(79,144)
Endowment Funds, December 31, 2022	<u>\$ -</u>	<u>\$ 536,278</u>	<u>\$ 536,278</u>

**UNDERWATER ENDOWMENT FUNDS**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2022 and 2021.

**RETURN OBJECTIVES AND RISK PARAMETERS**

The Organization adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a composite index, which is a weighted blend of the indices, that reflects the Organization's target asset allocation while assuming a moderate level of investment risk.

**STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES**

To satisfy its long-term rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through 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 parameters.

*(See Independent Auditors' Report)*

**SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY**

The Organization has a policy of allowing earnings to accumulate until appropriated by the Organization. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to maintain the original value of the gifts donated to the permanent endowment. This is consistent with the objective to maintain the original value of the endowment assets in perpetuity or the donor-specified term.

**NOTE 11 CONTRIBUTED NONFINANCIAL ASSETS**

The Organization received the following contributions of nonfinancial assets for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Cleaning Services and Supplies	\$ -	\$ 24,000
Family Support Services	235,924	148,993
House Operations	63,360	35,000
House Supplies	36,778	25,227
Lease	50,000	50,000
Maintenance and Repairs	14,484	15,476
Professional Fees	9,375	-
Special Events	148,445	89,740
Total	<u>\$ 558,366</u>	<u>\$ 388,436</u>

In valuing contributed nonfinancial assets, the Organization estimated the fair value of donated goods on the basis of wholesale values that would be received for selling similar products in the United States. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

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.

**NOTE 12 RETIREMENT PLAN**

The Organization maintains a 401(k) retirement plan for eligible employees. During 2022 and 2021, the Organization's contribution to the plan was \$52,966 and \$36,454, respectively. During 2022 and 2021, the Organization paid \$14,026 and \$13,421 in administration fees.

*(See Independent Auditors' Report)*



**NOTE 13 RELATED-PARTY TRANSACTIONS**

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing, and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the License Agreement. During the years ended December 31, 2022 and 2021, the Organization received \$234,249 and \$260,392, respectively, from RMHC Global from these revenue streams.

**NOTE 14 SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest during the years ended December 31, 2022 and 2021 was approximately \$81,600.

**NOTE 15 NEW HOUSE TRANSACTION**

In 2018, the Organization entered into a series of complex transactions designed to provide funding to construct the new house. The transactions allowed other unrelated parties to utilize federal and state new market tax credits, which could not be utilized by the Organization. These credits are subject to recapture to the extent the Organization does not meet certain performance standards. The requirements include various economic and community impacts that will respond to the needs of the surrounding community, as specified in the agreement.

Accordingly, the unrelated parties entered into debt, lease, and other agreements designed to protect their financial interests in the transaction, which incentivized the Organization to meet performance standards during the compliance period. The Organization negotiated provisions in the agreements, which provide options to relieve the Organization of these significant obligations upon expiration of the compliance period. The compliance period expires in May 2025.

*(See Independent Auditors’ Report)*

**NOTE 16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's financial assets available to meet cash needs for general expenditures within one year of the Consolidated Statements of Financial Position date were as follows:

	<b>2022</b>	<b>2021</b>
Cash and Cash Equivalents	\$ 3,396,366	\$ 2,281,759
Investments	12,191,578	13,621,986
Pledges Receivable	347,500	627,000
Other Receivables	206,293	294,888
Total Financial Assets	16,141,737	16,825,633
Receivables Scheduled to Be Collected in More Than One Year	(72,500)	(142,000)
<b>Contractual or Donor-Imposed Restrictions:</b>		
Endowment Funds	(536,278)	(684,334)
Donor Contributions Restricted to Specific Purposes	(90,750)	(50,891)
Board-Designated Capital Reserve	(4,000,000)	(4,000,000)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 11,442,209</u>	<u>\$ 11,948,408</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, management performs a periodic review of the cash flow projections. During 2021, the Board of Directors approved a board-designated capital reserve of \$4,000,000 to be used for future capital improvements. Although the Organization does not intend to spend from its board-designated capital reserve, amounts from its board-designated capital reserve could be made available if necessary.

**NOTE 17 SUBSEQUENT EVENTS**

The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through May 22, 2023, the date the consolidated financial statements were available to be issued.

*(See Independent Auditors' Report)*