

RONALD McDONALD HOUSE CHARITIES OF  
CENTRAL TEXAS, INC.  
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2023

RONALD McDONALD HOUSE CHARITIES OF  
CENTRAL TEXAS, INC.  
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT  
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DECEMBER 31, 2023

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Ronald McDonald House Charities of Central Texas, Inc.  
Austin, Texas

### **Opinion**

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Texas, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 of Central Texas, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Central Texas, Inc.'s 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 collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 of Central Texas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Central Texas, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Allman & Associates, Inc.*

Austin, Texas  
July 30, 2024

RONALD McDONALD HOUSE CHARITIES  
OF CENTRAL TEXAS, INC.  
(Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

**Assets**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 3,735,730
Pledges receivable, current portion, net of \$19,591 allowance for doubtful pledges	999,065
Other receivables	186,186
Note receivable, net - current portion	1,200
Prepaid expenses	81,128
<b>Total Current Assets</b>	<b>5,003,309</b>
Pledges receivable, net of discount and current portion	1,346,674
Note receivable, net of discount and current portion	14,778
Beneficial interest in assets held by ACF	148,642
Operating lease right-of-use assets	43,361
Finance lease right-of-use assets	32,300
Land lease, net	165,758
Investments, at fair value	8,754,840
Property and equipment, net of accumulated depreciation	9,226,725
<b>Total Assets</b>	<b>\$ 24,736,387</b>

**Liabilities and Net Assets**

<b>Current Liabilities</b>	
Accounts payable	\$ 278,058
Payroll liabilities	125,721
Deferred revenue	35,900
Finance lease liability, current portion	7,363
Operating lease liability, current portion	20,169
<b>Total Current Liabilities</b>	<b>467,211</b>
Finance lease liability, net of current portion	25,497
Operating lease liability, net of current portion	24,292
<b>Total Liabilities</b>	<b>517,000</b>
<b>Net Assets</b>	
Without donor restrictions	13,779,783
With donor restrictions	10,439,604
<b>Total Net Assets</b>	<b>24,219,387</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,736,387</b>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES  
OF CENTRAL TEXAS, INC.  
(Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Fundraising events	\$ 1,475,104	\$ 13,519	\$ 1,488,623
Contributions and grants	926,713	2,501,213	3,427,926
Contributions - McDonald's related fundraising	412,635	55,576	468,211
Client fees	454,923	-	454,923
Net investment earnings	81,732	538,289	620,021
Change in beneficial interest	(1,275)	20,809	19,534
In-kind donations	2,573,698	-	2,573,698
Other income	9,034	-	9,034
	<u>5,932,564</u>	<u>3,129,406</u>	<u>9,061,970</u>
 Total Revenue	 5,932,564	 3,129,406	 9,061,970
 Net assets released from restrictions	 <u>846,939</u>	 <u>(846,939)</u>	 <u>-</u>
 Total revenue and other support	 <u>6,779,503</u>	 <u>2,282,467</u>	 <u>9,061,970</u>
 Expenses			
Program services:			
House operations	3,325,328	-	3,325,328
Bereavement and family assistance	190,165	-	190,165
Total program services	<u>3,515,493</u>	<u>-</u>	<u>3,515,493</u>
 Supporting services:			
Management and general	450,203	-	450,203
Fundraising and special events	1,369,332	-	1,369,332
Cost of direct benefits to donors	118,928	-	118,928
Total supporting services	<u>1,938,463</u>	<u>-</u>	<u>1,938,463</u>
 Total Expenses	 <u>5,453,956</u>	 <u>-</u>	 <u>5,453,956</u>
 Change in net assets	 1,325,547	 2,282,467	 3,608,014
 Net assets, beginning of year	 <u>12,454,236</u>	 <u>8,157,137</u>	 <u>20,611,373</u>
 Net assets, end of year	 <u>\$ 13,779,783</u>	 <u>\$ 10,439,604</u>	 <u>\$ 24,219,387</u>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES  
OF CENTRAL TEXAS, INC.  
(Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

Expenses	Program Services			Supporting Services			Total Supporting Services	Totals
	House Operations	Bereavement and Family Assistance	Total Program Services	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors		
Salaries	\$ 984,480	\$ 82,296	\$ 1,066,776	\$ 135,421	\$ 580,900	\$ -	\$ 716,321	\$ 1,783,097
Employee benefits	158,908	16,771	175,679	28,113	83,112	-	111,225	286,904
Payroll taxes	73,772	6,148	79,920	10,157	43,569	-	53,726	133,646
Total salaries and benefits	<u>1,217,160</u>	<u>105,215</u>	<u>1,322,375</u>	<u>173,691</u>	<u>707,581</u>	-	<u>881,272</u>	<u>2,203,647</u>
Conferences/training	8,422	346	8,768	639	7,810	-	8,449	17,217
Contract labor	147,110	1,260	148,370	152,299	27,645	-	179,944	328,314
Bereavement/Burial	-	65,354	65,354	-	-	-	-	65,354
Family assistance	19,011	1,228	20,239	-	387	-	387	20,626
Volunteers	1,259	2,001	3,260	6,541	74	-	6,615	9,875
Program support	-	-	-	-	4,097	-	4,097	4,097
Maintenance/repairs	266,575	-	266,575	-	-	-	-	266,575
Communication services	19,203	291	19,494	434	4,766	-	5,200	24,694
Computer services	50,642	8,784	59,426	9,785	55,894	-	65,679	125,105
Depreciation	579,063	680	579,743	1,475	5,337	-	6,812	586,555
Development	296	-	296	-	8,571	-	8,571	8,867
House supplies	24,394	1,117	25,511	342	757	-	1,099	26,610
Bad debt expense	-	-	-	10,183	-	-	10,183	10,183
Insurance	31,525	2,071	33,596	4,923	18,107	-	23,030	56,626
Service fees	-	-	-	74,444	156,929	-	231,373	231,373
Special event expenses	20,962	-	20,962	-	66,279	-	66,279	87,241
Postage	3,329	253	3,582	493	1,902	-	2,395	5,977
In-Kind expense	765,942	-	765,942	10,794	87,082	-	97,876	863,818
Large equipment lease	22,460	1,165	23,625	1,854	8,560	-	10,414	34,039
Printing	13,842	-	13,842	108	18,018	-	18,126	31,968
Licenses & permits	20	-	20	-	-	-	-	20
Office supplies	346	74	420	1,667	176	-	1,843	2,263
Utilities	109,644	-	109,644	-	-	-	-	109,644
Other	7,916	326	8,242	531	2,833	-	3,364	11,606
Expansion expense	16,207	-	16,207	-	186,527	-	186,527	202,734
Cost of direct benefit to donors	-	-	-	-	-	118,928	118,928	118,928
Total other expenses	<u>2,108,168</u>	<u>84,950</u>	<u>2,193,118</u>	<u>276,512</u>	<u>661,751</u>	<u>118,928</u>	<u>1,057,191</u>	<u>3,250,309</u>
Total expenses	<u>\$ 3,325,328</u>	<u>\$ 190,165</u>	<u>\$ 3,515,493</u>	<u>\$ 450,203</u>	<u>\$ 1,369,332</u>	<u>\$ 118,928</u>	<u>\$ 1,938,463</u>	<u>\$ 5,453,956</u>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES  
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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:	
Change in net assets	\$ 3,608,014
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	586,555
Donated property and equipment	(1,716,870)
Land lease amortization	14,844
Bad debt expense	10,183
Investment earnings	(411,036)
Change in beneficial interest in assets held by ACF	(13,835)
Noncash portion of expenses for operating leases	26,985
Amortization of right of use finance lease	6,460
Changes in assets and liabilities:	
Promises to give and other receivables	(162,749)
Prepaid expenses	(880)
Accounts payable and payroll liabilities	72,831
Deferred revenue	(1,049)
Repayment of operating lease liability	(25,885)
Net Cash Flows From Operating Activities	1,993,568
Cash Flows From Investing Activities:	
Purchase of investments	(3,614,702)
Sale of investments	927,582
Purchases of property and equipment	(33,781)
Net Cash Flows Used By Investing Activities	(2,720,901)
Cash Flows From Financing Activities:	
Repayment of finance lease liability	(5,900)
Net Cash Flows Used By Financing Activities	(5,900)
Net Change in Cash and Cash Equivalents	(733,233)
Cash and Cash Equivalents, beginning of year	4,468,963
Cash and Cash Equivalents, end of year	\$ 3,735,730
Supplemental disclosure of cash flow information:	
Cash paid for interest expense	\$ 560
Cash paid for income taxes	\$ -

See accompanying independent auditors' report and notes to financial statements.



RONALD McDONALD HOUSE CHARITIES  
OF CENTRAL TEXAS, INC.  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**1. Organization**

Ronald McDonald House Charities of Central Texas, Inc. (RMHC CTX or Organization) is a nonprofit charitable corporation. It is licensed by McDonald's Corporation and Ronald McDonald House Charities to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs. RMHC CTX's primary goal is to provide temporary, emergency lodging and support services to families with critically ill or injured children. RMHC CTX creates, finds and supports programs that directly improve the health and well-being of children and their families. This is accomplished through the following programs:

*Housing Operations:* Provides a home-away-from-home for families so they can stay close by their hospitalized child at no cost at the Ronald McDonald House® or at one of 6 Ronald McDonald House® Family Rooms located at various hospitals.

*Bereavement and Family Assistance:* Includes the Healing Hearts burial assistance and bereavement program which provides free bereavement support to help families that have experienced perinatal and infant loss, and the Happy Wheels Hospitality Cart, which is designed to support families at the hospital by distributing items such as complimentary coffee, snacks, coloring books and toys, toiletries, and other items.

The Organization is primarily supported by fundraising events and contributions.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of RMHC CTX have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

**Estimates**

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those used in the allocation of expenses and depreciation. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**2. Summary of Significant Accounting Policies (continued)**

**Financial Statement Presentation**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At December 31, 2023, the net assets without donor restrictions were undesignated.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions are subject to donor (or grantor) imposed stipulations. Some donor (or grantor) restrictions are temporary in nature, such as those that require the passage of time or the occurrence of a specific event. Other donor-imposed restrictions are perpetual in nature and require that the assets be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. When the donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

RMHC CTX considers all highly liquid investments with a purchased maturity of three months or less and purchased for use primarily in operations to be cash and cash equivalents.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Net investment earnings are reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Pledges Receivable**

RMHC CTX records unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designated to reflect the assumptions market participants would use in pricing the assets. In subsequent years, interest income is included in contribution revenue in the statement of activities. The allowance for doubtful pledges is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. RMHC CTX has recorded an allowance for doubtful pledges of \$19,591 as of December 31, 2023.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**2. Summary of Significant Accounting Policies (continued)**

**Beneficial Interest in Assets Held by the Austin Community Foundation**

RMHC CTX established two endowment funds (the Funds) under the Austin Community Foundation (ACF), the RMHC of Austin and Central Texas Endowment Fund and the Raymond and Vivian Todd Endowment Fund. Both funds are perpetual in nature. These funds are managed to accomplish the designated charitable purpose – to provide general support for RMHC CTX. The amount available to grant from the Funds is determined by the ACF Board of Governors’ spending policy, which currently allows for 5% of the Fund’s value at December 31<sup>st</sup> to be available to grant in the following year. RMHC CTX has granted variance power to the Austin Community Foundation. Both endowment funds are subject to the provision of the articles of incorporation and bylaws of the Austin Community Foundation, including the power reserved by their Board of Governors to modify any condition or restriction on the distribution of funds if in its sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served the ACF. The funds are reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

**Property and Equipment**

Property and equipment in excess of \$7,500 is capitalized and recorded at cost, or if donated, at fair value on the date of donation. Repairs and maintenance are charged to expense. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any gain or loss is included in the statement of activities. Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over their estimated useful lives using the straight-line method of depreciation. Major categories of depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building and improvements	37 years
Furniture and fixtures	3 - 7 years

**Deferred Revenue**

Deferred revenue of \$35,900 consists of special event underwriting for events occurring after December 31, 2023. During the fiscal year ending December 31, 2023, \$23,549 of prior year deferred revenue was recognized as revenue.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**2. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

*Contributions* - Contributions, including unconditional pledges and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional contributions are recognized when the conditions on which they depend are substantially met. In July 2023, the Organization received a challenge grant in the amount of \$2,000,000, conditioned upon raising an additional \$7,342,515 towards RHMC CTX's capital campaign by July 11, 2024. The fundraising challenge was not met during the year ended December 31, 2023 and accordingly, the contribution was not recorded as revenue.

*Contracts with Customers* - Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When the Organization receives payment in advance, a contract liability is recorded as deferred revenue and then reduced when the revenue is recognized.

Special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference between the price paid and the direct benefits received. The Organization considers the contribution portion of the transaction to be a conditional contribution and all events revenue is recognized at the time of the event. Amounts received in advance of the event are deferred until the time of the event.

Revenue from client fees is recognized in the period earned. Generally, payments are made at the time of service and there are no receivables or advance payments for the related service.

**Federal Income Taxes**

RMHC CTX is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to federal income tax on earnings from any unrelated business activities. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

RMHC CTX regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained upon examination by the relevant taxing authority based on the merits of the position and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely to be realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires RMHC CTX to exercise judgment regarding the uncertain application of tax law.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**2. Summary of Significant Accounting Policies (continued)**

The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. RMHC CTX is subject to income tax audits for the previous three years. There are currently no audits for any tax periods in progress.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting activities benefited based upon management's estimate of time and resources devoted to the function. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Personnel costs have been allocated based on time and effort spent in each area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of RMHC CTX.

A portion of RMHC CTX's public relations and events efforts include education on the program utilization and impact. Therefore, RMHC CTX allocates 25% of its public relations and event expense to program expense. Relevant expense items include but may not be limited to newsletter, printing, appeal, event expense, donor relations and travel.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the program services, administration and fundraising; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Contributed goods are recorded at fair value at the date of donation.

**Leases**

RMHC CTX leases office space and certain office equipment. RMHC CTX has elected to apply the short-term lease exception to all leases with a term of one year or less. These leases are not recorded on the statement of financial position and lease expense is recognized on a straight-line basis over the lease term.

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NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (continued)**

For leases entered into after January 1, 2022, the determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, 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.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the statement of financial position. Finance leases are included in finance lease right-of-use assets, other current liabilities, and finance lease liabilities in the statement of financial position.

ROU assets represent RMHC CTX's right to use an underlying asset for the lease term, and lease liabilities represent its 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. RMHC CTX uses the implicit rate when it is readily determinable. Since most of RMHC CTX's leases do not provide an implicit rate, to determine the present value of lease payments, management uses RMHC CTX's incremental borrowing rate based on the information available at lease commencement or a risk-free rate based on U.S. Treasury rates for periods comparable with that of the remaining lease term. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. RMHC CTX's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. When RMHC CTX has lease agreements with lease and non-lease components, these components are generally accounted for as a single lease component.

**Change in Not-for-Profit Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. ASU 2016-13 is effective for non-profit organizations for fiscal years beginning after December 15, 2022. Financial assets held by the Organization that are subject to this guidance include trade accounts receivable. ASU 2016-13 has been adopted with no material effect on the financial statements or disclosures.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**3. Pledges Receivable**

Unconditional pledges receivables are estimated to be collected as follows at December 31, 2023:

Within one year	\$ 1,018,656
In one to five years	1,428,601
Over five years	-
	<hr/> 2,447,257
Less discount	(81,927)
Less allowance for doubtful pledges	(19,591)
Pledges receivable, net of allowance for doubtful pledges	<hr/> <u>\$ 2,345,739</u>

**4. Concentrations of Credit Risk**

Certain financial instruments potentially subject RMHC CTX to concentrations of credit risk. These financial instruments consist primarily of cash deposits and investments. The cash policy of RMHC CTX limits the amount of credit exposure, and requires that cash be placed with high credit quality financial institutions. Credit risk on investments is limited due to wide diversification of the investment portfolio. The Finance Committee of the Board of Directors conducts regular reviews of the cash and investments portfolios to assure adherence to policy, and makes periodic reports to the Board of Directors. At December 31, 2023, RMHC CTX's deposits exceeded the federal depository insurance limits by \$3,006,600.

RMHC CTX does not maintain collateral for its receivables and does not believe significant credit risk exists as of December 31, 2023.

**5. Property and Equipment**

Balances of major categories of property and equipment are as follows at December 31, 2023:

Buildings and improvements	\$ 11,397,998
Family Rooms	2,861,889
Vehicles	32,000
Furniture and fixtures	308,459
Construction in progress	1,271,795
Less: Accumulated depreciation	<hr/> (6,645,416)
Property and equipment, net of accumulated depreciation	<hr/> <u>\$ 9,226,725</u>

Depreciation expense was \$586,555 for the year ended December 31, 2023.

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**6. Beneficial Interest in Assets Held by the Austin Community Foundation**

The beneficial interest in assets held by the Austin Community Foundation was \$148,642 at December 31, 2023 and changes in account value were as follows:

Beginning balance, December 31, 2022	\$ 134,807
Contributions	-
Investment income	20,809
Distributions	(5,700)
Fees	(1,274)
Ending balance, December 31, 2023	<u>\$ 148,642</u>

**7. Retirement Plan**

RMHC CTX has a 403(b) retirement plan (the “Plan”) for employees. The Plan allows all eligible employees to defer a portion of their income on a pretax basis through contributions to the Plan. RMHC CTX matches up to 6% of the employee’s compensation. During the year ended December 31, 2023, RMHC CTX contributed \$87,927 to the Plan.

**8. Investments**

Investments are stated at fair value and consist of the following as of December 31, 2023:

<u>Description</u>	
US Treasury Note	\$ 1,517,409
Bankunited, Inc.	170,086
Great Southern BA	165,137
Flagstar Bank, N	165,271
Comerica Bank	165,277
Charles Schwab B	170,542
PNC Bank, NTNL AS	165,460
UMB Bank, NTNL AS	99,976
Bankprov	199,954
Independent Bk MC	199,943
Weststar Bank	230,265
BCB Community Ban	222,329
Goldman Sachs Ban	220,326
Bank of America	25,037



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**8. Investments (continued)**

Fifth Third BK CI	190,532
Discover Bank	22,159
Wells Fargo Bank	167,894
Barclays Bank Del	200,597
Citizens Bank, NT	200,597
Morgan Stanley	74,574
Capital One, NTNL	75,199
Capital One, NTN	75,879
Capital One, NTNL	76,798
DFA U.S. Large Company Portfolio	880,439
DFA U.S. Large Cap Value I	78,452
DFA U.S. Large Cap Value II	338,978
DFA U.S. Micro Cap Portfolio	295,603
DFA U.S. Small Cap Value	254,255
DFA International Value III Portfolio	219,497
DFA International Value I Portfolio	29,543
DFA Real Estate	165,292
DFA International Small Cap Value	254,674
DFA Five Year Gbl Fixed Income	700,058
DFA Short Term Government Portfolio	736,809
Total investments	<u>\$ 8,754,840</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2023:

Interest, dividends, and other income	\$ 232,656
Unrealized gains	411,036
Investment fees	<u>(23,671)</u>
Investment earnings, net	<u>\$ 620,021</u>

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**9. Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31, 2023:

Subject to expenditure for specified purpose:

Family Room Program	\$ 548
Capital Expansion	6,270,346
Other programs	9,851
Total purpose restrictions	6,280,745

Subject to the passage of time:

Time restrictions	151,186
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Endowments:

Subject to appropriation and expenditure when a specified event occurs:

Restricted by donors for programs	3,355,173
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Permanently restricted to general endowment:

RMHC Endowment Fund Trust	527,500
RMHC of Austin and Central Texas Endowment Fund (ACF)	25,000
Raymond and Vivian Todd Endowment Fund (ACF)	100,000
Total permanently restricted to general endowment	652,500

Total Net Assets With Donor Restrictions	\$ 10,439,604
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023:

Satisfaction of purpose restrictions:

Healing Hearts Program	\$ 4,550
Family Room Program	50,750
House Program	68,474
Happy Wheels Hospitality Cart Program	16,320
Capital Expansion	606,176
Endowment	5,700
Miscellaneous	26,391
Total released from purpose restrictions	778,361

Expiration of time restrictions	68,578
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Total Net Assets Released from Restrictions	\$ 846,939
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**10. Endowments**

Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC CTX has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC CTX retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by RMHC CTX in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMHC CTX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the organization
- Investment policies of the organization.

As of December 31, 2023, endowment net asset composition by type of fund was as follows:

	Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 652,500	\$ 652,500
Accumulated investment gains	3,355,173	3,355,173
Total endowment net assets	\$ 4,007,673	\$ 4,007,673

*Funds with Deficiencies*

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHC CTX to retain as a fund of perpetual duration. At December 31, 2023, there were no endowment funds with deficiencies.

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**10. Endowments (continued)**

*Return Objectives and Risk Parameters*

RMHC CTX 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. RMHC CTX expects its endowment funds, over time, to provide an average rate of return of approximately 4 to 5% annually based on historical performance. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, RMHC CTX relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC CTX's Investment Policy targets a diversified asset allocation that places greater emphasis on fixed-income based investments to achieve its long-term return objectives with prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to the Spending Policy*

The account is swept annually and any realized or unrealized gains in excess of the corpus are available to offset program costs.

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

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,454,275	\$ 3,454,275
Contributions	-	-
Investment earnings, net	538,289	538,289
Change in beneficial interest in assets held by ACF	20,809	20,809
Appropriated for expense	<u>(5,700)</u>	<u>(5,700)</u>
Endowment net assets, end of year	<u><u>\$ 4,007,673</u></u>	<u><u>\$ 4,007,673</u></u>

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**11. Fair Value of Financial Instruments**

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The following table sets forth RMHC CTX’s assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2023:

Description	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury Notes	\$ 1,517,409	\$ -	\$ 1,517,409	\$ -
Fixed Income	3,283,833	-	3,283,833	-
Mutual Funds	3,953,599	3,953,599	-	-
Total Investments	<u>\$ 8,754,840</u>	<u>\$ 3,953,599</u>	<u>\$ 4,801,241</u>	<u>\$ -</u>
Beneficial interest in ACF Endowments	<u>\$ 148,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,642</u>

The reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3) for the year ended December 31, 2023 is included in Note 6.

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**11. Fair Value of Financial Instruments (continued)**

The carrying value of the financial instruments classified as current assets or current liabilities, including cash and cash equivalents, promises to give, prepaid expenses, accounts payable, deferred revenue and other liabilities, approximate their fair values due to their short maturities.

**12. Leases**

RMHC CTX entered into a ground lease agreement with the Daughters of Charity Health Services of Austin to build a new house in 2004. The original term of the ground lease was approximately thirty years and began on October 20, 2004. In July 2021, RMHC CTX negotiated an amendment to the lease to have the option to renew the term of the lease for an additional 2 terms of 25 years each. The rent for the entire term of the ground lease is \$10, which was paid in full in 2005. RMHC CTX recognized the fair value of the lease of \$450,363. The value of the lease as of December 31, 2023 is \$165,758.

RMHC CTX leases office space in Bryan, Texas through a lease which commenced in January 2017 and was extended for periods through January 2023. In January 2023, the lease was extended through a second lease extension through January 2026. The monthly rental rate during 2023 was \$1,600 and increases to \$1,800 in 2025. Operating lease costs were \$19,200 for the year ended December 31, 2023.

RMHC CTX also leases office equipment under operating and finance lease agreements.

The operating and finance lease assets and liabilities were calculated using the risk-free discount rate associated with the length of each lease. At December 31, 2023, the weighted-average remaining lease term and average discount rate for operating leases are 2.1 years and 3.6%, respectively. The maturities of operating lease liabilities as of December 31, 2023 were as follows:

Years Ending December 31,	Amount
2024	\$ 21,375
2025	22,575
2026	2,159
Total lease payments	46,109
Less: interest	(1,648)
Present value of operating lease liabilities	\$ 44,461

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**12. Leases (continued)**

At December 31, 2023, the weighted-average remaining lease term and average discount rate for finance leases are 4.17 years and 4.27%, respectively. The maturities of finance lease liabilities as of December 31, 2023 were as follows:

Years Ending December 31,	Amount
2024	\$ 8,592
2025	8,592
2026	8,592
2027	8,592
2028	1,433
Total lease payments	35,801
Less: interest	(2,941)
Present value of finance lease liabilities	\$ 32,860

**13. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,735,730
Promises to give	2,345,739
Other receivables	186,186
Note receivable	15,978
Investments	4,872,167
Total Current Financial Assets	11,155,800

Less those unavailable for general expenditures within one year due to:

Donor-imposed restrictions:

Restricted by donor with purpose restrictions

(6,280,745)

Restricted by time

(151,186)

Total donor-imposed restrictions:

(6,431,931)

Long-term portion of note receivable

(14,778)

Total assets unavailable for general expenditures within one year

(6,446,709)

Financial assets available to meet cash need for general expenditures within one year

\$ 4,709,091

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**13. Liquidity and Availability (continued)**

RMHC CTX manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets, less current liabilities, at a minimum of 30 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

Investments include the following unrestricted funds included in the investment account that can be available if needed:

Investments, at fair value	\$ 8,754,840
Less permanently restricted to Kroc endowment	(527,500)
Less endowment restricted by donor for programs	(3,355,173)
Total investments available for general expenditures	<u>\$ 4,872,167</u>

During the year ended December 31, 2023, the level of liquidity and reserves was managed within the policy requirements.

**14. Capital Campaign**

In 2020, RMHC CTX began a capital campaign for campus expansion. The *A Place Like Home* \$30M expansion will include the build out of an additional 40,500 feet on the existing campus to accommodate 51 additional guest suites as well as some renovation in the existing structure to better accommodate more families and staff. When the project is complete, RMHC CTX will be able to serve 81 families every night at the Ronald McDonald House. Through December 31, 2023 RMHC CTX has raised a total of \$9,837,487 for the house expansion, of which \$2,153,816 is included in the fiscal year 2023 contribution revenue. Expenditures on the project through December 31, 2023 are \$3,480,223 which includes \$1,271,795 of construction in progress costs.

**15. In-Kind Contributions**

RMHC CTX records various types of in-kind contributions. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. During the year ending December 31, 2023, RMHC CTX received the following in-kind contributions:



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**15. In-Kind Contributions (continued)**

Description	Home Operations	Management and General	Fundraising	Total
Facilities and space	\$ 247,164	\$ -	\$ 12,368	\$ 259,532
Professional services	10,774	10,794	302	21,870
Donated goods	223,902	-	-	223,902
House services	34,841	-	-	34,841
Other	5,500	-	1,600	7,100
Advertising	243,761	-	72,812	316,573
Total In-Kind Expense	765,942	10,794	87,082	863,818
Amortization of land lease				(14,844)
Donated property and equipment				1,716,870
Donated labor				7,854
Total In-Kind Contributions				<u>\$ 2,573,698</u>

**16. Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the audited financial statements were available for issuance, July 30, 2024. There were no subsequent events that qualified for disclosure.