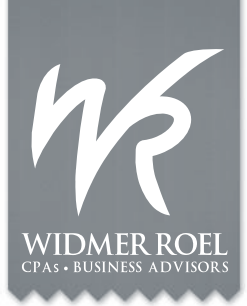


**RONALD MCDONALD HOUSE CHARITIES
OF THE RED RIVER VALLEY, INC.**

**FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of the Red River Valley, Inc.
Fargo, North Dakota

Opinion

We have audited the financial statements of **Ronald McDonald House Charities of the Red River Valley, Inc.**, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Red River Valley, Inc.**'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Red River Valley, 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 the Red River Valley, 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.



Fargo, North Dakota
May 21, 2024

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 792,496	\$ 659,758
Certificates of deposit	320,663	269,255
Current portion of contributions receivable, net	178,425	120,013
Prepaid expenses	<u>34,721</u>	<u>32,937</u>
Total current assets	<u>1,326,305</u>	<u>1,081,963</u>
PROPERTY AND EQUIPMENT, net	<u>4,076,438</u>	<u>4,184,944</u>
OTHER ASSETS		
Beneficial use of land, net	469,096	472,121
Contributions receivable, net	212,095	403,084
Investments	1,391,240	1,169,149
Right-of-use asset	11,389	16,967
Intangible assets	<u>3,500</u>	<u>3,500</u>
Total other assets	<u>2,087,320</u>	<u>2,064,821</u>
Total assets	\$ <u><u>7,490,063</u></u>	\$ <u><u>7,331,728</u></u>
<hr/> LIABILITIES AND NET ASSETS <hr/>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 12,004	\$ 9,593
Current portion of lease liability	5,734	11,389
Accounts payable	38,311	31,416
Accrued expenses	35,761	28,433
Deferred revenue	<u>77,650</u>	<u>70,375</u>
Total current liabilities	<u>169,460</u>	<u>151,206</u>
LONG-TERM DEBT, less current maturities	<u>130,938</u>	<u>233,794</u>
LEASE LIABILITY, less current portion	<u>5,655</u>	<u>5,578</u>
Total liabilities	<u>306,053</u>	<u>390,578</u>
NET ASSETS		
Without donor restrictions	5,824,394	5,442,932
With donor restrictions	<u>1,359,616</u>	<u>1,498,218</u>
Total net assets	<u>7,184,010</u>	<u>6,941,150</u>
Total liabilities and net assets	\$ <u><u>7,490,063</u></u>	\$ <u><u>7,331,728</u></u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS			
General contributions	\$ 640,920	\$ 6,566	\$ 647,486
Grants	58,100	-	58,100
Special event revenue	328,983	-	328,983
Less: direct benefit costs	<u>(63,555)</u>	<u>-</u>	<u>(63,555)</u>
Net revenue from special events	<u>265,428</u>	<u>-</u>	<u>265,428</u>
Residents room rent	77,264	-	77,264
Net investment return	238,305	-	238,305
Noncash contributions, net	29,092	-	29,092
Loss on disposal of assets	(405)	-	(405)
Net assets released from restriction	<u>145,168</u>	<u>(145,168)</u>	<u>-</u>
Total public support, revenues and reclassifications	<u>1,453,872</u>	<u>(138,602)</u>	<u>1,315,270</u>
Expenses			
Program services	819,695	-	819,695
Management and general	84,814	-	84,814
Fundraising	<u>167,901</u>	<u>-</u>	<u>167,901</u>
Total expenses	<u>1,072,410</u>	<u>-</u>	<u>1,072,410</u>
CHANGE IN NET ASSETS	381,462	(138,602)	242,860
NET ASSETS, Beginning of year	<u>5,442,932</u>	<u>1,498,218</u>	<u>6,941,150</u>
NET ASSETS, End of year	<u>\$ 5,824,394</u>	<u>\$ 1,359,616</u>	<u>\$ 7,184,010</u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Contributions	\$ 587,427	\$ 60,000	\$ 647,427
Grants	262,450	-	262,450
Special event revenue	232,763	-	232,763
Less: direct benefit costs	<u>(56,823)</u>	<u>-</u>	<u>(56,823)</u>
Net revenue from special events	<u>175,940</u>	<u>-</u>	<u>175,940</u>
Residents room rent	68,386	-	68,386
Net investment return	(285,056)	-	(285,056)
Noncash contributions, net	43,638	-	43,638
Loss on disposal of assets	(887)	-	(887)
Net assets released from restrictions	<u>270,202</u>	<u>(270,202)</u>	<u>-</u>
Total public support, revenues and reclassifications	<u>1,122,100</u>	<u>(210,202)</u>	<u>911,898</u>
Expenses			
Program services	767,384	-	767,384
Management and general	81,333	-	81,333
Fundraising	<u>164,935</u>	<u>-</u>	<u>164,935</u>
Total expenses	<u>1,013,652</u>	<u>-</u>	<u>1,013,652</u>
CHANGE IN NET ASSETS	108,448	(210,202)	(101,754)
NET ASSETS, Beginning of year	<u>5,334,484</u>	<u>1,708,420</u>	<u>7,042,904</u>
NET ASSETS, End of year	<u>\$ 5,442,932</u>	<u>\$ 1,498,218</u>	<u>\$ 6,941,150</u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Direct Benefit Costs</u>	<u>Total</u>
Salaries and wages	\$ 303,396	\$ 21,791	\$ 85,196	\$ -	\$ 410,383
Payroll taxes	22,488	1,615	6,315	-	30,418
Health insurance	10,683	767	3,000	-	14,450
Pension	7,274	522	2,042	-	9,838
Accounting and audit fees	6,095	18,286	-	-	24,381
Bank charges	-	10,481	-	-	10,481
Conferences	6,926	497	1,945	-	9,368
Contract labor	87,761	-	-	-	87,761
Depreciation	134,828	10,487	4,494	-	149,809
Equipment lease	5,054	363	1,419	-	6,836
Fundraising	-	-	38,466	-	38,466
House expenses	114,330	-	-	-	114,330
In-kind rent	21,740	1,691	725	-	24,156
In-kind support supplies and auction items	51,671	-	-	-	51,671
Interest expense	-	11,927	-	-	11,927
Meeting expenses	1,569	122	52	-	1,743
Miscellaneous	6,229	2,076	-	-	8,305
Newsletter	23,255	-	-	-	23,255
Office expenses	37,797	2,715	10,614	-	51,126
Other professional fees	3,458	-	-	-	3,458
Professional development	1,056	76	297	-	1,429
Promotional items	2,624	-	7,870	-	10,494
Special event expense	-	-	-	63,555	63,555
Telephone	18,179	1,306	5,105	-	24,590
Travel and entertainment	393	28	110	-	531
Van expenses	3,667	-	-	-	3,667
Workers compensation	893	64	251	-	1,208
	<u>871,366</u>	<u>84,814</u>	<u>167,901</u>	<u>63,555</u>	<u>1,187,636</u>
Total functional expenses					
Expenses included with revenue on the statement of activities:					
Cost of direct benefit to donors	-	-	-	(63,555)	(63,555)
In-kind support supplies and auction items	<u>(51,671)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,671)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 819,695</u>	<u>\$ 84,814</u>	<u>\$ 167,901</u>	<u>\$ -</u>	<u>\$ 1,072,410</u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Direct Benefit Costs</u>	<u>Total</u>
Salaries and wages	\$ 289,041	\$ 21,333	\$ 102,248	\$ -	\$ 412,622
Payroll taxes	20,380	1,504	7,209	-	29,093
Health insurance	9,469	699	3,350	-	13,518
Pension	7,285	538	2,577	-	10,400
Accounting and audit fees	5,901	17,705	-	-	23,606
Bank charges	-	8,096	-	-	8,096
Conferences	4,449	328	1,574	-	6,351
Contract labor	71,050	-	-	-	71,050
Depreciation	155,948	12,129	5,198	-	173,275
Equipment lease	4,969	367	1,758	-	7,094
Fundraising	-	-	24,755	-	24,755
House expenses	106,915	-	-	-	106,915
In-kind rent	21,872	1,701	729	-	24,302
In-kind support supplies and auction items	153,589	-	-	-	153,589
Interest expense	-	11,861	-	-	11,861
Meeting expenses	1,202	94	40	-	1,336
Miscellaneous	5,605	1,868	-	-	7,473
Newsletter	17,139	-	-	-	17,139
Office expenses	28,511	2,104	10,086	-	40,701
Other professional fees	1,001	-	-	-	1,001
Professional development	2,106	155	745	-	3,006
Promotional items	196	-	588	-	784
Special event expense	-	-	-	56,823	56,823
Telephone	10,327	762	3,653	-	14,742
Travel and entertainment	151	11	53	-	215
Van expenses	2,642	-	-	-	2,642
Volunteer programs	174	-	-	-	174
Workers compensation	1,051	78	372	-	1,501
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	920,973	81,333	164,935	56,823	1,224,064
Expenses included with revenue on the statement of activities:					
Cost of direct benefit to donors	-	-	-	(56,823)	(56,823)
In-kind support supplies and auction items	(153,589)	-	-	-	(153,589)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses included in the expense section on the statement of activities	\$ <u>767,384</u>	\$ <u>81,333</u>	\$ <u>164,935</u>	\$ <u>-</u>	\$ <u>1,013,652</u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 242,860	\$ (101,754)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Loss on disposal of assets	405	887
(Gain) loss on investments	(222,091)	288,341
Depreciation	149,809	173,275
Beneficial use of land - amortization	3,025	2,878
Pledge discounts	(9,239)	76,983
Changes in assets and liabilities		
Prepaid expenses	(1,784)	(4,812)
Intangible assets	-	(3,500)
Right-of-use asset	5,578	(16,967)
Accounts payable	6,895	19,750
Accrued expenses	7,327	(1,718)
Deferred revenue	7,275	54,352
Net cash provided by operating activities	<u>190,060</u>	<u>487,715</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of earnings into certificates of deposit	(51,408)	(100,771)
Purchase of property and equipment	(41,708)	(264,721)
Net cash used in investing activities	<u>(93,116)</u>	<u>(365,492)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for new building	141,816	25,000
Payments of long-term debt	(100,445)	(91,754)
Change in long-term lease liability	(5,578)	16,967
Net cash provided by (used in) financing activities	<u>35,793</u>	<u>(49,787)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	132,737	72,436
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, Beginning of year	<u>659,758</u>	<u>587,322</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, End of year	\$ <u><u>792,495</u></u>	\$ <u><u>659,758</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ <u><u>11,927</u></u>	\$ <u><u>11,861</u></u>
Right-of-use assets obtained in exchange for lease liabilities	\$ <u><u>-</u></u>	\$ <u><u>22,470</u></u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Ronald McDonald House Charities of the Red River Valley, Inc. (the “Organization”) is a North Dakota nonprofit organization, incorporated on June 15, 1981. The Organization supports families whose children are receiving medical care in the Fargo-Moorhead area by providing a home away from home to keep families close to their children and supporting programs that directly benefit the well-being of children. The Organization operates one Ronald McDonald House (House). Families are asked to pay a nominal donation per night if able, but no family is turned away for inability to pay. The Organization’s main sources of revenue include grants and contributions.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board-designated net assets are without donor restrictions and are reported as a part of the net assets without donor restriction class.

Net assets with donor restrictions: Net assets 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. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Concentrations of Risk

Contributions receivable are due primarily from individuals and businesses in the Red River Valley of North Dakota and Minnesota. Contributions are generally due for up to a five-year period. Due to this concentration of contributors, payment is contingent upon contributor ability and economic conditions in the Red River Valley.

Investments consist of domestic and international bonds and equities, which are subject to market risk.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash considered restricted by the Organization is for the purpose of future capital additions. Restricted cash is kept in a separate bank account. There were no restricted cash balances at December 31, 2023 and 2022. Cash deposits exceeded Federal Deposit Insurance Corporation limits by \$613,267 during the fiscal year ended December 31, 2023. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk in cash.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Certificates of Deposit

Certificates of deposit are held at financial institutions and approximate fair value due to the short maturity of the financial instruments.

Contributions Receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at their 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 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. Contributions receivable are written off when deemed uncollectible.

Beneficial Use of Land and Rent

Beneficial use of land is recorded at carrying value less any amortization to date. Related rent is recorded as in-kind rent and includes amortization of the beneficial use of land asset. Amortization of the beneficial use of land is included in the release from restriction.

Revenue Recognition

The Organization's primary source of revenue is from contributions. Due to contributions being both voluntary and nonreciprocal, they do not fall under ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The Organization has analyzed the provisions of Topic 606, including the five-step approach to evaluating contracts, and has concluded that no changes are necessary to conform with the standard.

Contributions

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Special Event Revenue – Ticket Sales

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Deferred Revenue

Income from sponsorships and ticket sales received in advance of future special events is deferred and recognized over the periods in which the income relates.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. The Organization reports property and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used. All expenditures for land, buildings, and equipment in excess of \$500 are capitalized; the fair value of donated fixed assets is similarly capitalized. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 41 years.

Property and equipment held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed.

Intangible Assets

Intangible assets consist of website development costs that will be amortized over a period of five years.

Investments

Investments are composed of money market funds, common stocks, and mutual funds. Investments are measured at fair value in the financial statements. Net realized and unrealized gains and losses and income are included in the statements of activities. Investment fees in the Organization's investment fund is charged from the change in market value.

Accounts Payable

Accounts payable includes payables in the normal course of business.

Income Taxes

The Organization is considered a publicly supported organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. This exempt status will continue in effect provided that the Organization does not change its purpose, character, or method of operation.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2023 and 2022 were \$10,494 and \$784, respectively.

Use of Estimates

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

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Functional Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include: depreciation, insurance, interest, maintenance, and repairs, rent, and utilities, which are allocated on a square footage basis; meetings, education and training, office supplies, technology, and telephone, which are allocated based on full-time equivalents; and salaries and wages and employee benefits, which are allocated on the basis of estimates of time and effort.

Adoption of Current Expected Credit Loss Standard

In 2023, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update ASC No. 326, *Current Expected Credit Losses*, which requires a multi factor calculation of the estimated losses. The Organization adopted Topic 326 using the optional transition method that allows entities to forgo the comparative reporting requirements under the modified retrospective transition method. No cumulative effect to receivables was recorded.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor’s report, which is the date the financial statements were available to be issued. The Organization believes that there have not been significant subsequent events where disclosure is necessary.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization’s financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Current assets available for use		
Cash and cash equivalents without donor restrictions	\$ 792,496	\$ 659,758
Certificates of deposit	320,663	269,255
Endowment funds available for distribution	<u>65,831</u>	<u>64,621</u>
Total current assets available for use	1,178,990	993,634
Less: Current liabilities, excluding deferred revenues	<u>(91,810)</u>	<u>(80,831)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>1,087,180</u></u>	\$ <u><u>912,803</u></u>

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted, as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various certificates of deposit. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of outstanding pledges at December 31:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 178,425	\$ 120,013
One to five years	<u>221,334</u>	<u>417,741</u>
Total	399,759	537,754
Unamortized discount	<u>(9,239)</u>	<u>(14,657)</u>
Net contributions receivable	\$ <u><u>390,520</u></u>	\$ <u><u>523,097</u></u>

The discount rate used to discount pledges receivable with due dates extending beyond one year was 1.31%.

NOTE 4 – INVESTMENTS

Investments consisted of the following at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market	\$ 8,348	\$ 8,348	\$ 7,978	\$ 7,978
Common stock	11,006	71,724	8,189	62,358
Mutual funds	<u>1,219,634</u>	<u>1,311,168</u>	<u>1,043,453</u>	<u>1,098,813</u>
	\$ <u><u>1,238,988</u></u>	\$ <u><u>1,391,240</u></u>	\$ <u><u>1,059,620</u></u>	\$ <u><u>1,169,149</u></u>

Investment earnings are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 16,214	\$ 38,936
Change in unrealized gain (loss) on investments	<u>222,091</u>	<u>(323,992)</u>
Net investment return (loss)	\$ <u><u>238,305</u></u>	\$ <u><u>(285,056)</u></u>

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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2023	2022
House - Agassiz Crossing	\$ 4,624,788	\$ 4,624,788
Furniture, fixtures and equipment	353,002	336,598
	4,977,790	4,961,386
Accumulated depreciation	(901,352)	(776,442)
	\$ 4,076,438	\$ 4,184,944

NOTE 6 – BENEFICIAL USE OF LAND

In November 2017, the Organization entered into a lease agreement with Sanford Health (Sanford) whereby the Organization would lease from Sanford certain land owned by Sanford. The initial term of the lease is for a 49 year period that ends on October 31, 2066 and has the option to extend for another 49 years through October 31, 2115, with an aggregate annual base rent of \$1.00. An independent appraisal determined that the fair value of the space at the time of inception was \$510,000. The annual rental value was estimated at approximately \$27,180 per year. In connection with this lease agreement, the Organization discounted the value of the 49-year initial term of the lease using a discount rate of approximately 5.00% and recorded a restricted contribution in 2018 in the amount of \$510,000. The value remaining on the use of land as of December 31, 2023 and 2022 is \$469,096 and \$472,121, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2023 and 2022, rent expense of \$27,180 was recorded in connection with this lease agreement. The related amortization of the recorded discount associated with the beneficial use of land asset was \$3,025 for the year ended December 31, 2023 and \$2,878 for the year ended December 31, 2022, and is included in net assets released from restriction on the statements of activities.

NOTE 7 – FAIR VALUE MEASUREMENT

The three levels of the fair value hierarchy in accordance with ASC 820 *Fair Value Measurements* 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 or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

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

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stock - The fair value is based on quoted market prices reported on the active markets on which the individual securities are traded.

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Money Market Funds and Mutual Funds - Valued at the net asset value (“NAV”) of shares by the Organization at year-end. Mutual Funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The valuation methods described above may produce fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies are 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 investments at fair value as of December 31:

	<u>2023</u>	<u>2022</u>
	<u>Level 1</u>	<u>Level 1</u>
Money market fund	\$ 8,348	\$ 7,979
Common stock	71,724	62,358
Mutual funds		
Core bonds	279,805	265,262
Small-cap value	98,761	85,828
Mid-cap growth	104,232	83,367
Large-cap growth	261,829	170,178
Large-cap value	227,642	193,764
Core international	293,744	259,535
Emerging markets	<u>45,155</u>	<u>40,878</u>
	\$ <u>1,391,240</u>	\$ <u>1,169,149</u>

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of a note payable to Bell Bank with the ability to draw up to \$4,100,000, with interest of 3.75% due monthly on the first five years. After the first five years, the principal balance outstanding will be amortized over 15 years with monthly principal and interest payments due until maturity February 2028. In February 2023, the interest rate reset for the remaining five years of the loan term at the interest rate equal to the Five Year Fixed-Rate Advance Rate as published by the Federal Home Loan Bank of Des Moines, plus 1.65%, which was 5.82%. The debt is secured by the property. The balance on long-term debt was \$142,942 and \$243,387 as of December 31, 2023 and 2022, respectively.

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Long-term debt is expected to mature during the years ending December 31:

2024	\$	12,004
2025		12,566
2026		13,154
2027		13,769
2028		14,413
Thereafter		<u>77,036</u>
	\$	<u><u>142,942</u></u>

The Bell Bank note payable has certain covenants that require the Organization to furnish annual audited financial statements upon its completion but not later than 120 days after the end of each year. All financial covenants have been waived for the year ended December 31, 2023.

NOTE 9 – ENDOWMENT FUND

Interpretation of Relevant Law

The Organization’s endowment consists of an individual fund established by a donor to provide annual funding for supporting the operations of the Ronald McDonald House. The endowment also includes certain net assets without donor restrictions that are in the endowment. The endowment fund net assets without donor restrictions are the board designated endowment operating reserve fund as described in Note 12.

The Organization has determined the donor-restricted endowment fund is subject to the terms of its governing documents. In accordance with the agreement, except as provided in gifts or legacies for a specific purpose, the Organization shall have no right to invade principal from gifts or legacies for operating funds to implement the general purposes of the Organization.

The Organization has interpreted 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 the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Investment Return Objectives

The Organization has a policy that allows the investments to consist of deposit accounts, certificates of deposit, or any other financial instruments deemed appropriate by the Finance Committee and approved by the Board of Directors.

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Spending Policy – Without Donor Restrictions

The Organization has a policy of allowing the appropriation for distribution up to 5.00% of its board-designated endowment fund's three year rolling average fair value at the end of each year with board approval, not to exceed \$60,000. If the fund balance falls below its original value of \$500,000 due to market fluctuation, the Organization ceases distributions until the fair value exceeds its original value. In 2023 and 2022, there were no distributions.

Investment income earned on the donor-restricted endowment is restricted for the use of on-going house operations and expenses.

The restriction is considered met when the House's total operating expenses exceed the total investment income earned. The earnings then become classified as without donor restrictions.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2021	\$ 957,490	\$ 500,000	\$ 1,457,490
Investment loss	<u>(288,341)</u>	<u>-</u>	<u>(288,341)</u>
Endowment fund net assets, December 31, 2022	669,149	500,000	1,169,149
Investment income	<u>222,091</u>	<u>-</u>	<u>222,091</u>
Endowment fund net assets, December 31, 2023	\$ <u>891,240</u>	\$ <u>500,000</u>	\$ <u>1,391,240</u>

Fund Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2023 and 2022.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Agassiz Crossing House – Funds are restricted for the building and furnishing of the Agassiz Crossing House. The Organization has a non-binding agreement for the lease of land where the new house was built. Construction was completed in May of 2018 with the remainder of furnishings being added during 2021.

Endowment – In March 1993, 10,000 shares of McDonald's Corporation common stock, valued at \$500,000, were donated with the stipulation that the original value is placed in an endowment fund and the income is used for operations. Subsequent sales of some of the stock shares have diversified the endowment fund.

The earnings from the endowment fund are first to be used to maintain the fair market value of the endowment fund at the historical value of \$500,000. Any excess earnings are then to be used to fund operating expenses of the Ronald McDonald House.

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Donor restricted net assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Subject to the Passage of Time or Specified Purpose		
Grant restricted for state registration costs	\$ -	\$ 3,000
Contributions receivable with donor restrictions - capital assets	390,520	523,097
For periods after December 31 Beneficial use of land	<u>469,096</u>	<u>472,121</u>
Total subject to passage of time or specified purpose	<u>859,616</u>	<u>998,218</u>
 Endowment Funds		
Ronald McDonald House Operations: Original donor-restricted gift required to be maintained in perpetuity by donor	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restrictions	\$ <u>1,359,616</u>	\$ <u>1,498,218</u>

NOTE 11 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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 donors as follows for December 31:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished		
Ronald McDonald House, Agassiz Crossing	\$ 142,143	\$ 267,324
Time restrictions expired		
Beneficial use of land - discount amortization	<u>3,025</u>	<u>2,878</u>
Total restrictions released	\$ <u>145,168</u>	\$ <u>270,202</u>

NOTE 12 – NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

The Organization's governing Board has designated net assets without donor restrictions for the Board-Designated Endowment Operating Reserve. The balances at December 31, 2023 and 2022 were \$891,240 and \$669,149, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

RMHC Global collects all counter change, a 25.0% fee is taken out and then the remaining 75.0% is sent to the Organization. Amounts contributed to the Organization by RMHC Global was \$57,847 and \$45,500 for the years ending December 31, 2023 and 2022, respectively.

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NOTE 14 – EMPLOYEE RETIREMENT PLAN

Retirement benefits for the Organization’s staff are available through participation in a SIMPLE IRA retirement plan. The plan is available for full-time employees on the first day of employment. The Organization matches 100% of employee contributions up to 3.00% of the participant’s gross wages.

Employer contributions to the plan for the years ended December 31, 2023 and 2022 totaled \$9,838 and \$10,400, respectively.

NOTE 15 – DONATED PROFESSIONAL SERVICES AND EXPENSES

The Organization received the following contributions of nonfinancial assets for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Property and Equipment		
Furniture and office equipment	\$ 6,246	\$ -
Expenses		
Family support supplies	7,904	94,845
Auction items	41,988	58,744
Rent	<u>24,155</u>	<u>24,302</u>
 Total contributed nonfinancial assets	 <u>\$ 80,293</u>	 <u>\$ 177,891</u>

Property and Equipment

The Organization received donations of property and equipment for their new house, including a rocking chair, recliner chairs, and a gas grill. The contributed fixed assets are valued at market rate at the time the gift was received. There were no donor-imposed restrictions with the donated items.

Family Support Supplies

The Organization’s family support supplies consist of food, household goods, and clothing, which were utilized in the following programs: Ronald McDonald House and Ronald McDonald Family Room. In valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. All donated supplies were utilized by the Organization’s programs and supporting services. There were no donor-imposed restrictions associated with the donated items.

Auction Items

The Organization receives items to be sold at auctions for special events, and it is the Organization’s policy to attempt to sell any unsold auction items on various commercial websites used for such purposes. Contributed auction items are valued at the gross selling price received. All donated items were utilized by the Organization’s programs and supporting services. There were no donor-imposed restrictions associated with the donated items.

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Rent

Contributed rent is for the beneficial use of land where the Ronald McDonald House Charities of the Red River Valley, Inc. house is located. In valuing the contributed land, which is located in Fargo, North Dakota, the Organization estimated the fair value based on the independent appraisal at the inception of the agreement for the beneficial use of land. All donated services and assets were utilized by the Organization’s programs and supporting services. There were no donor-imposed restrictions with the donated services and assets.

NOTE 16 – LEASES

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment over a contracted period in exchange for payment. The Organization evaluated if an arrangement is a lease as of the commencement date of the lease agreement. Right-of-use (“ROU”) assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term. Lease liabilities are classified between current and long-term liabilities based on their payment terms. The Organization’s lease may include renewal options, and those renewal options are included in the lease term when it is concluded that it is reasonably certain the Organization will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

As the Organization’s leases do not provide the lease implicit rates, the Organization has elected to use the risk-free rate of return as the discount rate. The risk-free rate used approximates the lease term at the commencement date of the lease agreement.

	<u>Balance Sheet Location</u>	<u>2023</u>	<u>2022</u>
Assets			
Right-of-use asset	Other assets	\$ 11,389	\$ 16,967
Liabilities			
Current lease liability	Current liabilities	5,734	11,389
Long-term lease liability	Long-term liabilities	<u>5,655</u>	<u>5,578</u>
Total lease liability		\$ <u>11,389</u>	\$ <u>16,967</u>
Other information			
Cash paid for amounts included in the measurement of lease measurement of lease liabilities			
Operating cash flows from operating leases		\$ <u>5,769</u>	\$ <u>5,769</u>
ROU assets obtained in exchange for new operating lease liabilities		\$ <u>-</u>	\$ <u>22,470</u>
Weighted average remaining lease term (in years)			
Operating leases		2.00	3.00
Weighted average discount rate			
Operating leases		1.37%	1.37%

(Continued)

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A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023 is as follows:

2024	\$	5,769
2025		<u>5,770</u>
Total undiscounted cash flows		11,539
Less present value discount		<u>(150)</u>
Total lease liabilities	\$	<u><u>11,389</u></u>