



**RONALD MCDONALD HOUSE CHARITIES
OF EASTERN WISCONSIN, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2023 and 2022

The background of the lower half of the cover is a grayscale image of a modern building's interior, showing a grid of structural elements and a perspective view of a hallway or atrium. The image is overlaid with a semi-transparent teal band at the top and a semi-transparent orange band at the bottom right.

SIKICH.COM

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3-4
Statements of Activities	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows	9-10
Notes to Financial Statements.....	11-25

17335 Golf Parkway, Suite 500
Brookfield, WI 53045
262.754.9400

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Eastern Wisconsin, 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. 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 Eastern Wisconsin, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Eastern Wisconsin, 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Sikich LLP

Brookfield, Wisconsin
April 12, 2024

FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,428,102	\$ 4,198,801
Investments	12,158,379	8,765,080
Pledges and contributions receivable, current	197,155	607,596
Prepaid expenses and other assets	63,002	16,328
Total current assets	<u>15,846,638</u>	<u>13,587,805</u>
PROPERTY AND EQUIPMENT		
Building and improvements	28,688,413	28,531,926
Land and land improvements	984,655	911,468
Furnishings and equipment	3,485,030	3,385,768
Vehicles	71,850	71,850
Construction in progress	29,205	29,205
Total property and equipment	<u>33,259,153</u>	<u>32,930,217</u>
Less: Accumulated depreciation	<u>6,487,722</u>	<u>5,833,693</u>
Net property and equipment	<u>26,771,431</u>	<u>27,096,524</u>
OTHER ASSETS		
Pledges receivable, long term, net	733,866	889,594
Investments - board designated and donor restricted endowment funds	2,500,000	2,500,000
Reserve for self-funded unemployment	20,809	20,247
Total other assets	<u>3,254,675</u>	<u>3,409,841</u>
TOTAL ASSETS	<u><u>\$ 45,872,744</u></u>	<u><u>\$ 44,094,170</u></u>

(This statement is continued on the following page.)

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 248,776	\$ 868,717
Deferred revenue	5,000	68,176
Refundable grant advance	123,193	110,862
	<hr/>	<hr/>
Total current liabilities	376,969	1,047,755
	<hr/>	<hr/>
Total liabilities	376,969	1,047,755
	<hr/>	<hr/>
NET ASSETS		
Without donor restrictions		
Undesignated	15,257,998	11,935,173
Designated	28,313,369	28,693,555
	<hr/>	<hr/>
Total without donor restrictions	43,571,367	40,628,728
	<hr/>	<hr/>
With donor restrictions	1,924,408	2,417,687
	<hr/>	<hr/>
Total net assets	45,495,775	43,046,415
	<hr/>	<hr/>
 TOTAL LIABILITIES AND NET ASSETS	 \$ 45,872,744	 \$ 44,094,170
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Public support			
Fundraising events	\$ 2,372,965	\$ -	\$ 2,372,965
Less: Costs of direct benefits to donors	(313,280)	-	(313,280)
Net fundraising events	2,059,685	-	2,059,685
Contributions	1,795,781	444,396	2,240,177
In-kind contributions	617,768	-	617,768
Lodging donations and other	84,865	-	84,865
(Loss) on disposal of property and equipment	(21,524)	-	(21,524)
Net assets released from restrictions	1,040,819	(1,040,819)	-
Total revenue and support	5,577,394	(596,423)	4,980,971
EXPENSES			
Program services			
House operations	3,448,800	-	3,448,800
Family room	105,555	-	105,555
Total program services	3,554,355	-	3,554,355
Support services			
Management and general	355,302	-	355,302
Fundraising	422,277	-	422,277
Total support services	777,579	-	777,579
Total expenses	4,331,934	-	4,331,934
CHANGE IN NET ASSETS FROM OPERATIONS	1,245,460	(596,423)	649,037
INVESTMENT RETURN, NET	1,697,179	103,144	1,800,323
CHANGE IN NET ASSETS	2,942,639	(493,279)	2,449,360
NET ASSETS, BEGINNING OF YEAR	40,628,728	2,417,687	43,046,415
NET ASSETS, END OF YEAR	\$ 43,571,367	\$ 1,924,408	\$ 45,495,775

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Public support			
Fundraising events	\$ 2,081,908	\$ -	\$ 2,081,908
Less: Costs of direct benefits to donors	(304,240)	-	(304,240)
Net fundraising events	1,777,668	-	1,777,668
Contributions	1,939,335	1,521,930	3,461,265
In-kind contributions	756,145	-	756,145
Lodging donations and other	353,222	-	353,222
(Loss) on disposal of property and equipment	(104,032)	-	(104,032)
Net assets released from restrictions	2,808,118	(2,808,118)	-
Total support and revenue	7,530,456	(1,286,188)	6,244,268
EXPENSES			
Program services			
House operations	2,952,637	-	2,952,637
Family room	92,211	-	92,211
Total program services	3,044,848	-	3,044,848
Support services			
Management and general	334,739	-	334,739
Fundraising	428,078	-	428,078
Total support services	762,817	-	762,817
Total expenses	3,807,665	-	3,807,665
CHANGE IN NET ASSETS FROM OPERATIONS	3,722,791	(1,286,188)	2,436,603
INVESTMENT INCOME, NET	(1,912,232)	(117,845)	(2,030,077)
CHANGE IN NET ASSETS	1,810,559	(1,404,033)	406,526
NET ASSETS, BEGINNING OF YEAR	38,818,169	3,821,720	42,639,889
NET ASSETS, END OF YEAR	\$ 40,628,728	\$ 2,417,687	\$ 43,046,415

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services			Support Services			Total Expenses
	House Operations	Family Room	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries, taxes, other benefits	\$ 1,142,052	\$ 84,592	\$ 1,226,644	\$ 256,587	\$ 179,308	\$ 435,895	\$ 1,662,539
Utilities	176,518	-	176,518	9,291	-	9,291	185,809
House maintenance	119,325	-	119,325	1,177	-	1,177	120,502
Grounds maintenance	57,375	-	57,375	580	-	580	57,955
Janitorial & cleaning	117,377	-	117,377	1,186	-	1,186	118,563
Insurance	180,908	-	180,908	4,534	1,382	5,916	186,824
House supplies	679,751	17,298	697,049	38,776	-	38,776	735,825
Total house operating costs	<u>2,473,306</u>	<u>101,890</u>	<u>2,575,196</u>	<u>312,131</u>	<u>180,690</u>	<u>492,821</u>	<u>3,068,017</u>
Telephone	27,865	-	27,865	4,262	656	4,918	32,783
Postage	3,603	-	3,603	1,201	1,201	2,402	6,005
Office supplies	75,610	-	75,610	8,401	-	8,401	84,011
Total office expenses	<u>107,078</u>	<u>-</u>	<u>107,078</u>	<u>13,864</u>	<u>1,857</u>	<u>15,721</u>	<u>122,799</u>
Newsletter	13,733	-	13,733	-	3,434	3,434	17,167
Public relations	29,281	-	29,281	-	5,166	5,166	34,447
Stewardship	10,239	-	10,239	-	1,807	1,807	12,046
Volunteer expenses	23,040	-	23,040	1,213	-	1,213	24,253
Direct mail	-	-	-	-	173,639	173,639	173,639
Miscellaneous	57,565	-	57,565	20,637	55,684	76,321	133,886
Depreciation	734,558	3,665	738,223	7,457	-	7,457	745,680
Total other expenses	<u>868,416</u>	<u>3,665</u>	<u>872,081</u>	<u>29,307</u>	<u>239,730</u>	<u>269,037</u>	<u>1,141,118</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,448,800</u>	<u>\$ 105,555</u>	<u>\$ 3,554,355</u>	<u>\$ 355,302</u>	<u>\$ 422,277</u>	<u>\$ 777,579</u>	<u>4,331,934</u>
Cost of direct benefit to donors - meals and entertainment							126,556
Cost of direct benefit to donors - other fundraising event costs							186,724
TOTAL EXPENSES							<u>\$ 4,645,214</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services			Support Services			
	House Operations	Family Room	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries, taxes, other benefits	\$ 1,020,546	\$ 73,313	\$ 1,093,859	\$ 219,585	\$ 174,078	\$ 393,663	\$ 1,487,522
Utilities	184,031	-	184,031	9,686	-	9,686	193,717
House maintenance	87,226	-	87,226	846	-	846	88,072
Grounds maintenance	60,644	-	60,644	613	-	613	61,257
Janitorial & cleaning	199,505	-	199,505	2,015	-	2,015	201,520
Insurance	172,211	-	172,211	4,316	1,316	5,632	177,843
House supplies	434,060	16,000	450,060	48,229	-	48,229	498,289
Total house operating costs	2,158,223	89,313	2,247,536	285,290	175,394	460,684	2,708,220
Telephone	31,104	-	31,104	4,757	732	5,489	36,593
Postage	1,945	-	1,945	648	648	1,296	3,241
Office supplies	69,048	-	69,048	7,672	-	7,672	76,720
Total office expenses	102,097	-	102,097	13,077	1,380	14,457	116,554
Newsletter	16,290	-	16,290	-	4,073	4,073	20,363
Public relations	15,099	-	15,099	-	2,664	2,664	17,763
Stewardship	10,434	-	10,434	-	1,841	1,841	12,275
Volunteer expenses	22,627	-	22,627	1,191	-	1,191	23,818
Direct mail	-	-	-	-	206,953	206,953	206,953
Other fundraising supplies and expenses	-	-	-	-	34,907	34,907	34,907
Miscellaneous	47,061	-	47,061	29,285	866	30,151	77,212
Depreciation	580,806	2,898	583,704	5,896	-	5,896	589,600
Total other expenses	692,317	2,898	695,215	36,372	251,304	287,676	982,891
TOTAL FUNCTIONAL EXPENSES	\$ 2,952,637	\$ 92,211	\$ 3,044,848	\$ 334,739	\$ 428,078	\$ 762,817	3,807,665
Cost of direct benefit to donors - meals and entertainment							126,378
Cost of direct benefit to donors - other fundraising event costs							177,862
TOTAL EXPENSES							\$ 4,111,905

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,449,360	\$ 406,526
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities		
Net realized (gain) on investments	(651,809)	(308,805)
Net unrealized (gain) loss on investments	(594,643)	2,535,377
Depreciation	745,680	589,600
Loss on disposal of property and equipment	21,524	104,032
Contributions restricted for long-term purposes	-	(1,292,732)
Donated investments	-	(49,376)
In-kind property and equipment	(10,382)	(296,617)
Allowance for investment reserve	-	(50,438)
Decrease (increase) in		
Pledges and contributions receivable	(341,925)	(89,744)
Prepaid expenses and other assets	(46,674)	2,650
Reserve for self-funded unemployment	(562)	(109)
Increase (decrease) in		
Accounts payable and accrued expenses	(619,941)	(175,927)
Deferred revenue	(63,176)	43,776
Refundable grant advance	12,331	(239,200)
Net cash and cash equivalents from operating activities	899,783	1,179,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(431,729)	(8,704,620)
Purchase of investments	(2,409,392)	(5,269,602)
Proceeds from sale of investments	262,545	5,133,530
Net cash and cash equivalents from investing activities	(2,578,576)	(8,840,692)

(This statement is continued on the following page.)

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long term	\$ 908,094	\$ 1,020,284
Net cash provided from financing activities	<u>908,094</u>	<u>1,020,284</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(770,699)	(6,641,395)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,198,801</u>	<u>10,840,196</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,428,102</u></u>	<u><u>\$ 4,198,801</u></u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Non-cash forgiveness of Paycheck Protection Program	<u><u>\$ -</u></u>	<u><u>\$ 239,200</u></u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ronald McDonald House Charities of Eastern Wisconsin, Inc. (the Organization) is a not-for-profit organization formed in 1983 to construct and operate the Ronald McDonald House (the House) in Milwaukee, Wisconsin. The House is an 84-room residential facility built to provide temporary housing for families of seriously ill children receiving treatment in Milwaukee area hospitals. The Organization provides rooms as well as family programs. The Organization relies solely on public support, various fund-raising activities and contributions to fund its activities. During 2023 and 2022, the Organization served 2,359 and 1,835 families for a total of 18,359 and 15,953 nights, respectively (unaudited).

The Organization completed the construction of an addition during 2022 which added 14 long-term family rooms, a new long-term kitchen, indoor and outdoor play space, a community room, and additional office and storage space.

In summer of 2021, the Organization opened its first Ronald McDonald Family Room Program within the Ladish Co. Foundation Center, located at Rogers Behavioral Health Center's Oconomowoc campus. This 2,500 square foot Family Room offers a welcoming space where Rogers' patient families can find respite and hospitality. The Organization is responsible for staffing the Family Room with paid employees and volunteers and has financial responsibilities for employee compensation and Family Room supplies. This Family Room Program is one of the first programs in the entire Ronald McDonald House Charities Global system to offer support exclusively to families with a pediatric patient receiving behavioral health care. During 2023 and 2022, the Family Room served 433 and 404 families for a total of 5,347 and 4,459 times, respectively (unaudited).

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting. Net assets and revenues, 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 and reported as follows:

Net Assets Without Donor Restrictions:

Undesignated - Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations.

Designated - Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions:

Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those restrictions, or to be maintained in perpetuity by the Organization. Generally, the donors of the assets permit the Organization to use all or a part of the income earned on any related investments for general or specific purposes.

Measure of Operations

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right to return – are not recognized until the conditions on which they depend have been met.

Contributions are recognized as revenue when they are received or unconditionally pledged. Revenues are reported in net assets without donor restrictions unless use of the related assets is limited by the donor-imposed restrictions. Donor-restricted contributions and grants whose restrictions are met within the same year as received are reflected in the change in net assets with donor restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Conditional grants and contract funds are recorded as revenue when conditions are met. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as a refundable grant advance on the statements of financial position. There were no conditional contributions at December 31, 2023 and 2022.

Revenue from Contracts with Customers

Sponsorship and Fundraising Event Revenue: The portion of sponsorship revenue and ticket sales that relates to the commensurate value the sponsor and attendee receives in return is recognized when the related events are held and performance obligations are met.

Significant Judgments: There are no significant judgments involved in the recognition of revenue at a point in time based on the delivery of services.

Contract Assets and Liabilities: The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and deferred revenue (contract liabilities) on the statement of financial position. Contract liabilities are released as the performance obligation are met. There were no contract assets as of December 31, 2023, 2022 or 2021. The beginning and ending balances of liabilities consist of the following as of December 31:

	<u>2023</u>		<u>2022</u>		<u>2021</u>
Contract liabilities - deferred revenue	\$ 5,000	\$	68,176	\$	135,262

In-Kind Contributions

Donated services are recorded in the financial statements at their estimated fair market value on the date the services are rendered if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns. No amounts have been reflected in the financial statements for these services because they do not meet the criteria for financial statement recognition.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions (Continued)

During 2023 and 2022, the Organization received approximately \$192,000 and \$75,000, respectively, in donated investments, as well as the following amounts for donated goods and services:

	<u>2023</u>	<u>2022</u>
Donated goods	\$ 488,524	\$ 354,797
Donated assets - construction	10,382	126,203
Donated services - construction	-	170,414
Donated services - laundry and cleaning	70,000	70,000
Donated services - legal	4,280	-
Donated services - other	44,582	34,731
	<u>\$ 617,768</u>	<u>\$ 756,145</u>

Donated services are received without restriction in relation to the construction of the new building, as well as for specialized professional laundry and cleaning services. The services are valued at the estimated amount that would be charged as reported by the third party. Donated services are utilized in the Organization's program services.

Donated goods are received by the Organization without restriction in the form of donated room and bathroom furniture, toys, games, books, and food. Donated goods are recorded in the financial statements as revenue and expense at their estimated fair value on the date the assets are contributed. The Organization estimates the fair value utilizing thrift shop values or the cost to purchase the items new. Donated goods are recorded in in-kind contributions on the statements of activities without donor restrictions and are utilized in the Organization's program services.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts, securities and other instruments having an original maturity of three months or less to be equivalent to cash. The Organization also considers all certificates of deposit to be cash equivalents.

The Organization maintains its cash and cash equivalents balances in financial institutions, which at times may exceed federally insured limits. On December 31, 2023 and 2022, the Organization's cash accounts exceeded federally insured limits by approximately \$2,759,000 and \$3,365,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments are stated at fair value, which is based on quoted market prices. Realized gains and losses and changes in unrealized gains and losses are included in net investment return on the Organization's statements of activities. Investment income is recorded net of external and direct internal expenses on the statements of activities.

Allowance for Uncollectible Pledges

Allowance is made for uncollectible pledges based upon management's judgment and analysis of the credit worthiness of the donors, past collection experience, and other relevant factors. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. However, actual write-offs may exceed the recorded allowance. Based upon management's evaluation, an allowance for uncollectible pledges of \$38,200 was recorded as of December 31, 2023 and 2022.

Property and Equipment

Expenditures for the acquisitions of property and equipment are capitalized at cost. The fair value of donated property at the date of gift is similarly capitalized. It is the Organization's policy to capitalize all property and equipment expenditures greater than \$1,000. Certain expenditures less than \$1,000 may be capitalized at the discretion of management. The Organization classifies property and equipment as designated net assets without donor restrictions on the statements of financial position.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10-60
Land improvements	20
Furnishings and equipment	5-10
Vehicles	5

Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Refundable Grant Advance

Grants received in advance are deferred and recognized over the period in which the qualifying expenditures are incurred.

Retirement Plan

The Organization's employees are covered by a self-directed SIMPLE IRA Plan. The total retirement contributions for the years ended December 31, 2023 and 2022 were \$32,726 and \$31,764, respectively. These contributions are at the discretion of the Board of Directors.

Allocation of Joint Costs

During 2023 and 2022, the Organization conducted activities that included requests for contributions, as well as program components. Those activities included newsletters, public relations and stewardship. The costs of conducting those activities included a total of \$63,660 and \$50,401 in 2023 and 2022, respectively, which are not specifically attributable to particular components of the activities. During 2023, \$53,253 of the total joint costs were allocated to house operations and \$10,407 to fundraising. During 2022, \$41,823 of the total joint costs were allocated to house operations and \$8,578 to fundraising.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code as other than a private foundation and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code.

The Organization evaluates their uncertain tax positions on an annual basis, and there have been no recorded uncertain tax positions recorded in 2023 and 2022. Therefore, no provision or liability for income taxes has been included in the financial statements. The Organization files various federal or state non-profit tax returns. The Organization is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2020.

Functional Expense Classification

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

2. LIQUIDITY AND AVAILABILITY

As of December 31, 2023 and 2022, the Organization had cash, investments and pledges receivable without donor restrictions of \$15,783,636 and \$13,571,477 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position dates, respectively. Pledges receivable included are those expected to be collected in the following fiscal year and those without other restrictions.

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 short-term investments.

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board designated-endowment could be made available, if necessary.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

3. PLEDGES RECEIVABLE

Pledges receivable consist primarily of pledges from private organizations, corporations, and individual donors. Net pledges receivable are summarized as follows:

	<u>2023</u>	<u>2022</u>
Total pledges receivable	\$ 1,058,258	\$ 1,626,970
Less: Discount on long term pledges	(89,037)	(91,580)
Less: Allowance for uncollectible pledges	(38,200)	(38,200)
PRESENT VALUE OF NET PLEDGES RECEIVABLE	<u>\$ 931,021</u>	<u>\$ 1,497,190</u>

Pledges are discounted using the risk adjusted rate between 3% and 6% as of December 31, 2023 and 2022.

The pledges receivable on December 31, 2023 are scheduled to be received as follows:

2024	\$ 197,155
2025	294,208
2026	384,978
2027	161,000
2028	<u>20,917</u>
TOTAL PLEDGES RECEIVABLE	<u>\$ 1,058,258</u>

4. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended December 31, 2023 and 2022.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2023 and 2022.

- *Mutual funds*: Valued at NAV of shares on the last trading day of the fiscal year.

Recurring Measurements

Assets measured at fair value on a recurring basis as of December 31, are as follows:

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, at fair value				
Mutual funds	\$ 14,658,379	\$ -	\$ -	\$ 14,658,379
Total investments, at fair value	<u>\$ 14,658,379</u>	<u>\$ -</u>	<u>\$ -</u>	14,658,379
Less: Board designated and donor restricted endowment funds (see Note 8)				<u>(2,500,000)</u>
INVESTMENTS NET OF ENDOWMENT FUNDS				<u>\$ 12,158,379</u>

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements (Continued)

	2022			Total
	Level 1	Level 2	Level 3	
Investments, at fair value				
Mutual funds	\$ 11,265,080	\$ -	\$ -	\$ 11,265,080
Total investments, at fair value	<u>\$ 11,265,080</u>	<u>\$ -</u>	<u>\$ -</u>	11,265,080
Less: Board designated and donor restricted endowment funds (see Note 8)				<u>(2,500,000)</u>
INVESTMENTS NET OF ENDOWMENT FUNDS				<u>\$ 8,765,080</u>

Investment return is summarized as follows for the years ended December 31:

	2023	2022
Dividends	\$ 519,044	\$ 87,474
Interest	59,145	128,982
Net realized gains on investments	651,809	308,805
Changes in net unrealized gains (losses) on investments	594,643	(2,535,377)
Investment expenses	<u>(24,318)</u>	<u>(19,961)</u>
NET INVESTMENT RETURN	<u>\$ 1,800,323</u>	<u>\$ (2,030,077)</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could be material in relation to amounts reported in the statements of financial position.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

5. NET ASSETS

Without Donor Restrictions

The Organization's board of directors has chosen to place the following limitations on net assets without donor restrictions:

	<u>2023</u>	<u>2022</u>
Designated for endowment purposes	\$ 1,571,143	\$ 1,626,236
Designated for investment in property and equipment	26,742,226	27,067,319
Total board designated net assets	28,313,369	28,693,555
Undesignated	15,257,998	11,935,173
NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 43,571,367	\$ 40,628,728

With Donor Restrictions

As of December 31, 2023 and 2022, net assets with donor restrictions were available for program expenses. The following is a summary of net assets with donor restrictions as of December 31:

	<u>2023</u>	<u>2022</u>
Purpose restriction		
Artwork	\$ -	\$ 825
Miscellaneous	25,413	5,884
Van expenses	6,114	3,921
Magic room	10,128	10,502
Family program items	7,605	25,601
House expansion	15,270	-
Time restrictions - capital campaign	931,021	1,497,190
Income earned on endowment funds	158,939	103,846
Perpetual restriction	769,918	769,918
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 1,924,408	\$ 2,417,687

Net assets with donor restrictions that are perpetual consist of endowment funds, the annual income from which is expendable to support the operations of the Organization. As a result, such income is included in the accompanying statement of activities as donor restricted investment income (loss) until appropriated for expenditure.

6. COMMITMENTS

Unemployment Insurance

The Organization has elected with the State of Wisconsin to finance its unemployment benefit costs under the reimbursement method. This method requires the Organization to reimburse the State of Wisconsin for 100% of the unemployment benefits charged to the Organization's account. A money market account, included in reserve for self-funded unemployment in the statements of financial position, in the amount of \$20,809 and \$20,247 as of December 31, 2023 and 2022, respectively, was pledged as collateral for utilization of the reimbursement method.

7. RELATED PARTY TRANSACTIONS

Certain members of the Board serve in management roles of the corporations that provide services to the Organization, causing these corporations to be related parties. The Organization receives contributions from these corporations and members of the Board of Directors. During 2023 and 2022 approximately \$252,400 and \$974,500, respectively, was received from these related parties. Pledges receivable outstanding from related parties as of December 31, 2023 and 2022 were approximately \$610,000 and \$916,000, respectively.

Global Ronald McDonald House Charities (Global) receives proceeds from certain fundraising events and remits 75 percent of the net proceeds to the Organization. The net amount received from Global totaled approximately \$422,000 and \$347,000 for the years ended December 31, 2023 and 2022, respectively, of which approximately \$70,000 and \$51,000 is included in pledges and contributions receivable for the years ended December 31, 2023 and 2022, respectively.

8. ENDOWMENT FUNDS

Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Organization 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 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, (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, and (d) remaining donor-restricted amounts until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

8. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law Governing Endowments (Continued)

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

- The duration and preservation of the fund
- The purposes of the organization and the donor restricted endowment
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the organization

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donor or by law (underwater endowments). The Organization has interpreted UPMIFA to not permit spending from underwater endowments in accordance with prudent measures required under law. There were no amounts underwater as of December 31, 2023 and 2022.

Board and Donor Restricted Endowment Funds

The Board had designated net assets in such an amount that when added to the donor-restricted endowment will total \$2,500,000, which will support the mission of the Organization. Of these funds, \$928,857 resulted from donor-restricted funds and \$1,571,143 resulted from an internal Board designation and is without donor restriction as of December 31, 2023. As of December 31, 2022, \$873,764 resulted from donor-restricted funds and \$1,626,236 resulted from an internal Board designation and is without donor restrictions. The total endowment assets are shown as other assets on the statements of financial position.

The composition of net assets by type of endowment fund as of December 31, are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 928,857	\$ 928,857
Board-designated endowment funds	1,571,143	-	1,571,143
TOTAL ENDOWMENT FUNDS	\$ 1,571,143	\$ 928,857	\$ 2,500,000

RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

8. ENDOWMENT FUNDS (Continued)

Board and Donor Restricted Endowment Funds (Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 873,764	\$ 873,764
Board-designated endowment funds	1,626,236	-	1,626,236
TOTAL ENDOWMENT FUNDS	\$ 1,626,236	\$ 873,764	\$ 2,500,000

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,626,236	\$ 873,764	\$ 2,500,000
Investment return, net	117,056	103,144	220,200
Board appropriation from the endowment	(220,200)	-	(220,200)
Appropriation of endowment assets for expenditure	48,051	(48,051)	-
ENDOWMENT NET ASSETS, END OF YEAR	\$ 1,571,143	\$ 928,857	\$ 2,500,000

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,455,458	\$ 1,044,542	\$ 2,500,000
Investment return, net	(194,078)	(117,845)	(311,923)
Board designation to the endowment	311,923	-	311,923
Appropriation of endowment assets for expenditure	52,933	(52,933)	-
ENDOWMENT NET ASSETS, END OF YEAR	\$ 1,626,236	\$ 873,764	\$ 2,500,000

8. ENDOWMENT FUNDS (Continued)

Endowment Investment Policy

The Organization has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for the donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policy, which was approved by the Board of Directors, the investment portfolio shall be managed with the objective of attaining a comprehensive rate of return given the constraints of aforementioned safety and liquidity objectives. The investment portfolio is subject to periodic review to ensure this objective is met.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (investment income such as interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization has a policy of appropriating for distribution each year up to 5% of its endowment fund's average market value of the prior three years as of December 31. In establishing this policy, the Organization considered the long term expected return on investments, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 12, 2024, the date on which the financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.