

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Ronald McDonald House Charities Midwest MN, WI, IA  
Rochester, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Ronald McDonald House Charities Midwest MN, WI, IA (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 Midwest MN, WI, IA as of December 31, 2023 and 2022, and its changes in 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities Midwest MN, WI, IA 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 Midwest MN, WI, IA's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Midwest MN, WI, IA'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 Midwest MN, WI, IA'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.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
March 19, 2024

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,641,364	\$ 1,938,705
Contributions Receivable	97,516	134,244
Materials for Resale	19,201	12,474
Prepaid Expenses	31,696	31,398
Total Current Assets	1,789,777	2,116,821
<b>NONCURRENT ASSETS</b>		
Investments	7,683,167	5,911,751
Interest Receivable	8,748	-
Charitable Trust Split-Interest Agreement	166,306	157,295
Property and Equipment, Net	17,704,349	18,286,166
Total Noncurrent Assets	25,562,570	24,355,212
 Total Assets	 \$ 27,352,347	 \$ 26,472,033
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 24,040	\$ 89,959
Accrued Expenses	75,599	33,680
Deferred Revenue	93,702	91,600
Total Current Liabilities	193,341	215,239
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	26,325,752	25,377,526
Net Assets With Donor Restrictions	833,254	879,268
Total Net Assets	27,159,006	26,256,794
 Total Liabilities and Net Assets	 \$ 27,352,347	 \$ 26,472,033

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 2,525,841	\$ 194,041	\$ 2,719,882
In-kind Contributions	197,319	-	197,319
Special Event Revenue	529,797	-	529,797
Guest Family Donations	101,492	-	101,492
Third-Party Reimbursements	105,756	-	105,756
Other Income	37,639	-	37,639
Net Assets Released from Restrictions	240,055	(240,055)	-
Total Revenues and Other Support	3,737,899	(46,014)	3,691,885
<b>EXPENSES</b>			
Program Services	3,122,145	-	3,122,145
Management and General	222,939	-	222,939
Fundraising	322,336	-	322,336
Cost of Direct Benefits to Donors	73,171	-	73,171
Total Expenses	3,740,591	-	3,740,591
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(2,692)	(46,014)	(48,706)
<b>NONOPERATING ACTIVITIES</b>			
Change in Value of Split-Interest Agreement	13,678	-	13,678
Investment Income, Net	937,240	-	937,240
Total Nonoperating Activities	950,918	-	950,918
<b>CHANGE IN NET ASSETS</b>	948,226	(46,014)	902,212
Net Assets - Beginning of Year	25,377,526	879,268	26,256,794
<b>NET ASSETS - END OF YEAR</b>	\$ 26,325,752	\$ 833,254	\$ 27,159,006

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 2,869,979	\$ 284,000	\$ 3,153,979
In-kind Contributions	380,698	-	380,698
Special Events Revenue	424,209	-	424,209
Guest Family Donations	63,344	-	63,344
Third-Party Reimbursements	44,768	-	44,768
Loss on Sales or Other Dispositions of Assets	(3,505)	-	(3,505)
Other Income	11,214	-	11,214
Net Assets Released from Restrictions	282,737	(282,737)	-
Total Revenues and Other Support	<u>4,073,444</u>	<u>1,263</u>	<u>4,074,707</u>
<b>EXPENSES</b>			
Program Services	2,740,795	-	2,740,795
Management and General	230,354	-	230,354
Fundraising	327,948	-	327,948
Cost of Direct Benefits to Donors	42,436	-	42,436
Total Expenses	<u>3,341,533</u>	<u>-</u>	<u>3,341,533</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	731,911	1,263	733,174
<b>NONOPERATING ACTIVITIES</b>			
Change in Value of Split-Interest Agreement	(40,359)	-	(40,359)
Investment Income, Net	(1,056,526)	-	(1,056,526)
Total Nonoperating Activities	<u>(1,096,885)</u>	<u>-</u>	<u>(1,096,885)</u>
<b>CHANGE IN NET ASSETS</b>	(364,974)	1,263	(363,711)
Net Assets - Beginning of Year	<u>25,742,500</u>	<u>878,005</u>	<u>26,620,505</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 25,377,526</u>	<u>\$ 879,268</u>	<u>\$ 26,256,794</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	Program Services	Management and General	Fundraising		Total
			Fundraising	Cost of Direct Benefits to Donors	
Salaries	\$ 1,011,294	\$ 123,329	\$ 98,663	\$ -	\$ 1,233,286
Benefits	125,588	15,316	12,252	-	153,156
Payroll Taxes	76,335	9,309	7,447	-	93,091
Total Salaries and Related Expenses	<u>1,213,217</u>	<u>147,954</u>	<u>118,362</u>	<u>-</u>	<u>1,479,533</u>
Cleaning Services and Supplies	101,475	-	-	-	101,475
Depreciation	682,258	-	-	-	682,258
Development	16,010	3,558	16,010	-	35,578
Direct Mail	-	-	118,722	-	118,722
Dues	159	953	476	-	1,588
Family Activities	79,338	-	-	-	79,338
Family Support Services and Supplies	270,788	-	-	-	270,788
Grants	150,000	-	-	-	150,000
Insurance	68,728	3,617	-	-	72,345
Licenses	1,205	-	-	-	1,205
Linens and Laundry	15,015	-	-	-	15,015
Maintenance and Repairs	163,738	-	-	-	163,738
Meetings, Education and Training	8,116	2,029	-	-	10,145
Office Supplies	19,864	3,505	-	-	23,369
Postage and Courier	2,905	194	775	-	3,874
Printing and Publishing	2,442	153	458	-	3,053
Professional Fees	70,781	23,594	-	-	94,375
Scholarships	3,250	-	-	-	3,250
Special Events Expense	-	-	60,174	73,171	133,345
Technology	46,738	8,763	2,921	-	58,422
Telephone	3,476	72	72	-	3,620
Travel, Meals, and Entertainment	176	-	-	-	176
Utilities	169,105	8,900	-	-	178,005
Volunteer Resources and Recognition	13,715	-	-	-	13,715
Other	19,646	19,647	4,366	-	43,659
Total	<u>\$ 3,122,145</u>	<u>\$ 222,939</u>	<u>\$ 322,336</u>	<u>\$ 73,171</u>	<u>\$ 3,740,591</u>

See accompanying Notes to Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising		Total
			Fundraising	Cost of Direct Benefits to Donors	
Salaries	\$ 938,682	\$ 114,473	\$ 91,579	\$ -	\$ 1,144,734
Employee Benefits	119,839	14,615	11,692	-	146,146
Payroll Taxes	79,341	9,576	7,741	-	96,658
Total Salaries and Related Expenses	<u>1,137,862</u>	<u>138,664</u>	<u>111,012</u>	<u>-</u>	<u>1,387,538</u>
Cleaning Services and Supplies	81,138	-	-	-	81,138
Depreciation	643,626	-	-	-	643,626
Development	5,775	1,283	5,775	-	12,833
Direct Mail	-	-	120,350	-	120,350
Dues	236	1,415	707	-	2,358
Family Activities	59,558	-	-	-	59,558
Family Support Services and Supplies	272,766	-	-	-	272,766
Insurance	65,404	3,442	-	-	68,846
Licenses	838	-	-	-	838
Linens and Laundry	8,743	-	-	-	8,743
Maintenance and Repairs	104,770	-	-	-	104,770
Meetings, Education and Training	3,072	768	-	-	3,840
Office Supplies	12,537	2,212	-	-	14,749
Postage and Courier	3,623	242	966	-	4,831
Printing and Publishing	8,358	522	1,567	-	10,447
Professional Fees	66,740	22,247	-	-	88,987
Scholarships	3,250	-	-	-	3,250
Special Events Expense	-	-	75,294	42,436	117,730
Technology	42,988	8,060	2,687	-	53,735
Telephone	3,105	65	65	-	3,235
Utilities	162,866	8,572	-	-	171,438
Volunteer Resources and Recognition	10,583	-	-	-	10,583
Other	42,957	42,862	9,525	-	95,344
Total	<u>\$ 2,740,795</u>	<u>\$ 230,354</u>	<u>\$ 327,948</u>	<u>\$ 42,436</u>	<u>\$ 3,341,533</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 902,212	\$ (363,711)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	682,258	643,626
Realized and Unrealized Loss on Investments	(679,333)	1,595,264
Loss on Sales or Other Dispositions of Assets	-	3,505
Donation of Property and Equipment	-	(207,090)
Change in Value of Charitable Trust Split-Interest Agreement	(13,678)	40,359
(Increase) Decrease in Assets:		
Pledges Receivable	-	9,406
Grants Receivable	36,728	(134,244)
Materials for Resale	(6,727)	488
Prepaid Expenses	(298)	(7,431)
Interest Receivable	(8,748)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(65,919)	41,337
Accrued Expenses	41,919	(8,103)
Deferred Revenue	2,102	65,087
Net Cash Provided by Operating Activities	890,516	1,678,493
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(100,441)	(1,232,428)
Purchase of Investments	(1,621,677)	(535,892)
Proceeds from Sale of Investments	529,594	139,208
Net Cash Used by Investing Activities	(1,192,524)	(1,629,112)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash for Charitable Trust Split-Interest Agreement	4,667	6,043
Net Cash Provided by Financing Activities	4,667	6,043
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(297,341)	55,424
Cash and Cash Equivalents - Beginning of Year	1,938,705	1,883,281
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,641,364	\$ 1,938,705
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Donation of Property and Equipment	\$ -	\$ 207,090
Contributions of Materials and Services	\$ 197,319	\$ 380,698

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Ronald McDonald House Charities Midwest MN, WI, IA (the Organization) is a Minnesota nonprofit charitable corporation formed in 1979. The mission of Ronald McDonald House Charities (RMHC) is to create, find, and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage, and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Rochester, which provides temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

**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 of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

**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 nonoperating funds to support current operating activities. The measure of operations excludes investment return on investments.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**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 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 receivables are written off when deemed uncollectible.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

**Investments**

Investments are measured at fair value in the statements of financial position. Certificates of deposit are recorded at cost which approximates fair value. Realized and unrealized gains and losses and income are included in the statements of activities.

**Materials Held for Resale**

Materials held for resale are stated at the lower of cost or net realizable value.

**Charitable Trust Split-Interest Agreement**

During 2012, upon the death of a donor, a trust naming the Organization as one of multiple beneficiaries of a charitable annuity trust was established. Under the terms of the split-interest agreement, the Organization is to receive 5% of income from trust assets annually for 20 years and 10 equal installments of 5% of total trust assets for the 10 years thereafter. No restrictions have been placed on the donation. The receivable for the split-interest agreement is carried at fair value, which the Organization has estimated based on the present value of its expected cash inflows. Based on a discount rate of 3%, the fair value of the Organization's interest in the trust was estimated to be \$166,306 and \$157,295 at December 31, 2023 and 2022, respectively.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

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

Buildings	30 to 40 Years
Equipment	3 to 15 Years

**Impairment of Long-Lived Assets**

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

**Donated Assets, Property and Equipment, and Services**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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

**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.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

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

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for operating reserve, capital reserve, designated endowment, development and outreach, missions and programs, marketing, and scholarships.

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.

**Revenue Recognition**

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Sponsorship Revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held, and performance obligations are met.

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.

**RONALD MCDONALD HOUSE CHARITIES MIDWEST MN, WI, IA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Third-Party Reimbursements**

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third-party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

**Functional Expenses**

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: insurance and utilities, which are allocated based on usage of the building; technology and telephone, which are allocated based on estimated usage between families and staff; and salaries, benefits, and payroll taxes, which are allocated based on management's estimates of time and effort.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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.

**NOTE 2 LIQUIDITY**

As of December 31, 2023 and 2022, the Organization has \$1,401,696 and \$1,689,931 of financial assets available to meet cash needs for general expenditures within one year of the statements of financial position date, which consists of the current assets per the statements of financial position, reduced by \$50,897 and \$43,872 of current contributions receivable, materials for resale and prepaid expenses, as well as \$337,184 and \$383,018 of cash not available for general use because of contractual or donor-imposed restrictions, respectively.

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**NOTE 2 LIQUIDITY (CONTINUED)**

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, the Organization maintains an operating reserve that allows for annual spending, if needed. \$2,276,547 and \$889,700 of appropriations from the operating reserve are available within the next 12 months as of December 31, 2023 and 2022.

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. The board-designated endowment has a spending rate of 5%. \$269,638 and \$325,939 of appropriations from the board-designated endowment are available within the next 12 months as of December 31, 2023 and 2022.

**NOTE 3 FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.



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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair values of assets measured on a recurring basis as of December 31, 2023 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
Investments:					
Nonpublicly Traded					
Multi-Assets Fund	\$ -	\$ -	\$ -	\$ 6,283,167	\$ 6,283,167
Total	-	-	-	6,283,167	6,283,167
*Certificates of Deposit					1,400,000
Total Investments					<u>7,683,167</u>
Split-Interest Agreement	-	-	166,306	-	166,306
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,306</u>	<u>\$ 6,283,167</u>	<u>\$ 7,849,473</u>

The fair values of assets measured on a recurring basis as of December 31, 2022 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
Investments:					
Mutual Funds	\$ 518,987	\$ -	\$ -	\$ -	\$ 518,987
Nonpublicly Traded					
Multi-Assets Fund	-	-	-	5,392,764	5,392,764
Total Investments	518,987	-	-	5,392,764	5,911,751
Split-Interest Agreement	-	-	157,295	-	157,295
Total Assets	<u>\$ 518,987</u>	<u>\$ -</u>	<u>\$ 157,295</u>	<u>\$ 5,392,764</u>	<u>\$ 6,069,046</u>

\*Certificates of deposit accounts are not measured at fair value but are included in the fair value measurement table to facilitate reconciliation to the "Investments" account shown on the statements of financial position.

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments is determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments is determined from valuation techniques in which one or more inputs are unobservable. The Organization reviewed and evaluated the values and assumptions used in determining the fair value of Level 3 financial instruments. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The significant unobservable inputs used in the fair value measurement of the Organization's interest in a split-interest agreement is based on the estimated present value of future distributions of income at 3% and a discount rate of 3%. Changes in the fair value of the Organization's Level 3 financial assets for the years ended December 31 are as follows:

	2023	2022
Beginning Balance	\$ 157,295	\$ 203,696
Distribution	(4,667)	(6,042)
Change in Value	13,678	(40,359)
Ending Balance	\$ 166,306	\$ 157,295

The Organization uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**Investments**

**Overall Investment Objective**

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees which oversees the Organization's investment program in accordance with established guidelines.

**Allocation of Investment Strategies**

In addition to traditional stocks and fixed income securities, the Organization has invested funds in the TIFF Multi-Asset Fund (MAF). The program strives to achieve a primary benchmark of the Consumer Price Index (CPI) plus 5% per annum in order to make distributions of approximately 5% of MAF's net assets in the form of dividends and capital gains each year. Investments in these funds are eligible for redemption on a daily basis with no required redemption notice period and are assessed a 0.5% fee with each redemption. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Organization's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2023:

<u>Investment Strategy</u>	<u>NAV in Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
TIFF Multi-Asset Fund	\$ 6,283,167	\$ -	Daily	None

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2022:

<u>Investment Strategy</u>	<u>NAV in Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
TIFF Multi-Asset Fund	\$ 5,392,764	\$ -	Daily	None

The composition of investment income on the Organization's investment portfolio for the years ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 249,352	\$ 518,733
Realized and Unrealized Gains (Losses), Net	687,888	(1,575,259)
Investment Income, Net	<u>\$ 937,240</u>	<u>\$ (1,056,526)</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

	<u>2023</u>	<u>2022</u>
Buildings	\$ 22,396,185	\$ 22,396,185
Equipment	1,009,405	904,964
Total	23,405,590	23,301,149
Less: Accumulated Depreciation	(5,701,241)	(5,018,983)
Construction in Progress	-	4,000
Total	<u>\$ 17,704,349</u>	<u>\$ 18,286,166</u>

**NOTE 5 ENDOWMENT**

The Organization's endowment consists of one individual fund established by a donor to provide annual funding for general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the board of trustees.

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**NOTE 5 ENDOWMENT (CONTINUED)**

Absent explicit donor stipulations to the contrary, the board of trustees 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. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by 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 effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

*Investment Return Objectives, Risk Parameters, and Strategies.* The Organization has adopted investment and spending policies, approved by the board of trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

*Spending Policy – Donor-restricted endowment.* There are no restrictions placed on the investment earnings from the donor-restricted endowment. Therefore, there is no spending policy for these funds.

*Spending Policy – Board-designated endowment.* The Organization has a policy of appropriating for distribution each year 5% of its board-designated and donor restricted endowment fund's combined balance from the previous year.

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**NOTE 5 ENDOWMENT (CONTINUED)**

Changes in endowment net assets and net assets by type of fund as follows for the fiscal year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 4,896,514	\$ 496,250	\$ 5,392,764
Investment Return, Net	890,403	-	890,403
Appropriation of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets - End of Year	<u>\$ 5,786,917</u>	<u>\$ 496,250</u>	<u>\$ 6,283,167</u>
Board-Designated Endowment Funds	\$ 5,786,917	\$ -	\$ 5,786,917
Donor-Restricted Endowment Funds: Original Donor-Restrict Gift Amount and Amounts Required to be Retained by Donor	-	496,250	496,250
Total Funds	<u>\$ 5,786,917</u>	<u>\$ 496,250</u>	<u>\$ 6,283,167</u>

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 6,022,535	\$ 496,250	\$ 6,518,785
Investment Return, Net	(986,812)	-	(986,812)
Appropriation of Endowment Assets for Expenditure	(139,209)	-	(139,209)
Endowment Net Assets - End of Year	<u>\$ 4,896,514</u>	<u>\$ 496,250</u>	<u>\$ 5,392,764</u>
Board-Designated Endowment Funds	\$ 4,896,514	\$ -	\$ 4,896,514
Donor-Restricted Endowment Funds: Original Donor-Restrict Gift Amount and Amounts Required to be Retained by Donor	-	496,250	496,250
Total Funds	<u>\$ 4,896,514</u>	<u>\$ 496,250</u>	<u>\$ 5,392,764</u>

*Fund Deficiencies.* From time to time, the fair value of assets associated with the donor-restricted endowment funds 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.

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**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specific Purpose:		
Activity Bags	\$ 3,653	\$ 27,230
Angels of Inspiration	-	1,377
Arts and Entertainment	15,226	30,000
Backyard Updates	-	15,000
Birthday Boxes	4,846	-
Camp Ronald	33,863	45,030
Charter Commission	3,700	5,000
Coca-Cola Sponsorship	19,908	10,429
Coffee Pods	6,602	-
Family Activities	25,000	-
Food Co-op	65,749	2,183
Game Room Refresh	19,000	-
Guest Laundry	-	5,833
Holiday Gifts	189	75
Holiday Meals	2,648	4,691
Hollidazzle Activity	10,852	14,735
Hope Bear Days	5,366	7,150
House Dinner and Groceries	1,040	27,996
Magic Room	6,552	-
Milk Purchases	8,266	12,139
Nutritional Support	97,867	146,719
Room Refresh	3,649	18,612
Urban Playroom	235	5,063
Wellness Programming	2,793	3,756
Total Expenditure for Specific Purpose	<u>337,004</u>	<u>383,018</u>
Subject to the Organizations Spending Policy and Appropriation:		
Original Donor-Restricted Gift Amount Required to be Maintained in Perpetuity by Donor	<u>496,250</u>	<u>496,250</u>
Total	<u><u>\$ 833,254</u></u>	<u><u>\$ 879,268</u></u>

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**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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 the years ended December 31:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished:		
Activity Bags	\$ 28,577	\$ -
Angels of Inspiration	1,377	3,005
Arts and Entertainment	14,774	-
Backyard Updates	15,000	-
Birthday Boxes	3,154	-
Camp Ronald	11,167	9,787
Charter Commission	1,300	1,000
Coca-Cola Sponsorship	2,521	1,026
Coffee Pods	398	-
Community Room	20,000	-
Family Activities	-	23,180
Food Co-op	1,220	51,331
Guest Laundry	5,833	4,667
Holiday Gifts	4,886	4,925
Holiday Meals	2,043	1,956
Hollidazzle Activity	3,883	3,600
Hope Bear Days	1,784	1,857
House Dinner and Groceries	32,849	90,478
Milk Purchases	3,873	1,191
Nutritional Support	64,662	3,282
Room Refresh	14,963	75,692
Urban Playroom	4,828	4,937
Wellness Programming	963	823
Total Restrictions Released	<u>\$ 240,055</u>	<u>\$ 282,737</u>

**NOTE 7 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's governing board of trustees has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Board-Designated Endowment	\$ 5,786,917	\$ 4,896,514
Board-Designated Operating Reserve	2,276,547	889,700
Board-Designated Capital Reserve	-	518,987
Board-Designated Development & Outreach	150,000	-
Board-Designated Mission/Programs/Services	250,000	-
Board-Designated Marketing	50,000	-
Board-Designated Scholarships	70,000	70,000
Total Board Designated Net Assets	<u>\$ 8,583,464</u>	<u>\$ 6,375,201</u>

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**NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS**

The Organization received the following contributions of nonfinancial assets for the years ending December 31:

	2023	2022
Property and Equipment		
Furniture and Equipment	\$ -	\$ 207,090
Expenses		
Special Event Supplies	20,465	18,868
House Supplies	135,363	134,436
Gift Cards	15,982	20,304
Repair and Maintenance	25,509	-
Total In-Kind Contributions	\$ 197,319	\$ 380,698

- The organization recognized contributed nonfinancial assets within revenue, including property and equipment, special event supplies, house supplies, gift cards and repair and maintenance services.
- In valuing property and equipment, the Organization estimated fair value at the date of donation.
- In valuing special event and house supplies, the Organization estimated the fair value on the basis of the market rate to be paid for similar supplies.
- Gift cards are valued at their face value.
- Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed services recognized in 2023 are comprised of repair and maintenance services as it relates to parking lot repairs. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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

**NOTE 9 RETIREMENT PLAN**

In accordance with the terms of the Organization's simple retirement plan, it will match the eligible employee's salary reduction contributions up to a limit of 3% of the employee's compensation. Contributions made by the Organization for the years ended December 31, 2023 and 2022 were \$34,884 and \$33,707, respectively.



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**NOTE 10 OPERATING LEASE**

The Organization has a ground lease agreement that calls for annual rent of \$1. The lease is for a 10-year term, which the Organization has the option to extend for an unlimited number of 10-year terms. Upon termination of the lease, the building, and any other improvements will become property of the landlord. Under certain conditions, the facility owned by the Organization would be forced to sell to the landlord. The primary provision is that the landlord can give one-year notice to remove the Organization from the land. The landlord would need to buy the Organization's facility for fair value upon that occurrence.

**NOTE 11 TRANSACTIONS WITH RELATED ENTITIES**

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing, and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2023 and 2022, the Organization received \$775,623 and \$51,194, respectively, from these revenue streams.

The Organization also received \$0- and \$1,206,448 during the years ended December 31, 2023 and 2022, respectively, from Ronald McDonald House Charities of Western Wisconsin and Southeastern Minnesota (RMHC WW & SM). As noted in Note 13, the Organization acquired RMHC WW & SM effective January 1, 2023.

The Organization has entered into a service agreement with a company owned by a board member for information technology services. Services purchased for the years ended December 31, 2023 and 2022 totaled \$7,739 and \$18,889, respectively.

A board member in the prior year had an ownership interest in the main financial institution used by the Organization. The Organization had balances of a\$1,878,433 held at this institution as of December 31, 2022.

A board member provides legal services for the Organization. Total services provided for the years ended December 31, 2023 and 2022 were \$5,280 and \$9,820, respectively.

A board member serves as a principal for the film studio received by the Organization. Services received for the years ended December 31, 2023 and 2022 totaled \$4,413 and \$21,890, respectively.

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**NOTE 12 CONCENTRATIONS**

Contributions totaling \$775,623 and \$384,993, were received from a single donor during the years ended December 31, 2023 and 2022, respectively, which represents 21% and 12%, respectively of total revenues and other support.

**NOTE 13 ACQUISITION**

On January 1, 2023, the Organization acquired the assets and liabilities of Ronald McDonald House Charities of Western Wisconsin and Southeastern Minnesota (RMHC WW & SM). The unification of the two organizations was proposed by RMHC Global to better align with its current mission, vision, and values of the RMHC systems. RMHC WW & SM ceased operations effective December 31, 2022. Beginning January 1, 2023, the surviving Organization began doing business as Ronald McDonald House Charities Midwest MN, WI, IA. There was no consideration given related to this acquisition and as such was recognized as a contribution.

**NOTE 14 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 19, 2024, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.



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