RONALD MCDONALD HOUSE CHARITIES® OF JACKSONVILLE, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities® of Jacksonville, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Jacksonville, Inc. as of December 31, 2022 and 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities® of Jacksonville, 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 Jacksonville, Inc.'s ability to continue as a going concern within one year after 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 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 Jacksonville, 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 Jacksonville, 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.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
September 28, 2023

December 31,	**2022**	2021
Assets		
Cash and cash equivalents	**$ 1,521,604**	$ 1,439,449
Contributions and other receivables	**131,350**	78,454
Pledges receivable, net	**2,000**	12,000
Prepaid expenses and other assets	**27,000**	46,592
Investments, at fair value	**7,404,840**	8,716,348
Property and equipment, net	**14,480,580**	15,014,011
Total assets	**$ 23,567,374**	$ 25,306,854
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 84,965**	$ 100,327
Performance obligation	**100,000**	5,500
Finance lease obligation	**5,897**	-
Capital lease obligation	**-**	8,463
Total liabilities	**190,862**	114,290
Net assets		
Without donor restrictions	**21,061,606**	22,581,994
With donor restrictions	**2,314,906**	2,610,570
Total net assets	**23,376,512**	25,192,564
Total liabilities and net assets	**$ 23,567,374**	$ 25,306,854

Year Ended December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions and grants	$ 1,509,782	$ 30,000	$ 1,539,782
Room contributions	74,941	-	74,941
In-kind contributions	69,015	-	69,015
Gross revenues from special events	1,071,706	-	1,071,706
Less costs of direct benefits to donors	(285,761)	-	(285,761)
Net revenues from special events	785,945	-	785,945
Investment income, net	86,509	26,348	112,857
Net realized investment gains (losses)	602,942	(32,329)	570,613
Net unrealized investment gains (losses)	(1,614,216)	(316,489)	(1,930,705)
Other income	17,754	-	17,754
Total revenues and other support before net assets released from restrictions	1,532,672	(292,470)	1,240,202
Net assets released from restrictions -- satisfaction of donor restrictions	3,194	(3,194)	-
Total revenues and other support	1,535,866	(295,664)	1,240,202
Expenses			
Program services	2,241,078	-	2,241,078
Supporting services			
Management and general	375,210	-	375,210
Fundraising	439,966	-	439,966
Total supporting services	815,176	-	815,176
Total expenses	3,056,254	-	3,056,254
Change in net assets	(1,520,388)	(295,664)	(1,816,052)
Net assets at beginning of year	22,581,994	2,610,570	25,192,564
Net assets at end of year	$ 21,061,606	$ 2,314,906	$ 23,376,512

The accompanying notes are an integral part of these financial statements.

Year Ended December 31, 2021	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues and Other Support			
Contributions and grants	$ 1,263,617	$ -	$ 1,263,617
Room contributions	97,469	-	97,469
In-kind contributions	102,715	-	102,715
Gross revenues from special events	619,989	-	619,989
Less costs of direct benefits to donors	(130,433)	-	(130,433)
Net revenues from special events	489,556	-	489,556
Investment income, net	145,285	50,039	195,324
Net realized investment gains	21,445	52,460	73,905
Net unrealized investment gains	637,566	151,627	789,193
Gain on forgiveness of PPP loan	570,160	-	570,160
Other income	2,256	-	2,256
Total revenues and other support before net assets released from restrictions	3,330,069	254,126	3,584,195
Net assets released from restrictions -- satisfaction of donor restrictions	94,995	(94,995)	-
Total revenues and other support	3,425,064	159,131	3,584,195
Expenses			
Program services	2,205,160	-	2,205,160
Supporting services			
Management and general	341,289	-	341,289
Fundraising	470,361	-	470,361
Total supporting services	811,650	-	811,650
Total expenses	3,016,810	-	3,016,810
Change in net assets	408,254	159,131	567,385
Net assets at beginning of year	22,173,740	2,451,439	24,625,179
Net assets at end of year	$ 22,581,994	$ 2,610,570	$ 25,192,564

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Jacksonville, Inc.
Statements of Functional Expenses

For the year ended December 31, 2022

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Functional Expenses	Costs of Direct Benefits to Donors	Total Expenses
Salaries and benefits	$ 1,034,534	$ 248,753	$ 329,150	$ 1,612,437	$ -	$ 1,612,437
Program supplies and expense	169,194	873	-	170,067	-	170,067
Professional fees	2,030	77,315	9,516	88,861	-	88,861
Contract services	110,111	-	-	110,111	-	110,111
Printing and publications	544	914	8,127	9,585	-	9,585
Office supplies and expense	4,705	4,788	1,166	10,659	-	10,659
Postage and shipping	302	379	1,536	2,217	-	2,217
Maintenance and repairs	50,374	-	-	50,374	-	50,374
Dues and subscriptions	337	4,175	2,966	7,478	-	7,478
Telephone	33,401	752	-	34,153	-	34,153
Computer and information technology	60,698	18,572	35,546	114,816	-	114,816
Occupancy	122,930	1,254	1,254	125,438	-	125,438
Travel and lodging	2,026	1,222	1,635	4,883	-	4,883
Meetings, training and seminars	382	6,729	880	7,991	-	7,991
Depreciation	551,956	5,632	5,632	563,220	-	563,220
Insurance	88,708	1,848	1,848	92,404	-	92,404
Fundraising expenses - special events	-	-	-	-	285,761	285,761
Fundraising expenses - indirect	-	214	19,590	19,804	-	19,804
Interest	-	96	-	96	-	96
Bank service fees	1,423	125	21,116	22,664	-	22,664
Taxes and licenses - other	1,120	718	-	1,838	-	1,838
Miscellaneous	6,303	851	4	7,158	-	7,158
Total expenses including costs of direct benefits to donors	2,241,078	375,210	439,966	3,056,254	285,761	3,342,015
Less cost of direct benefits to donors netted against special event revenues on the statement of activities	-	-	-	-	(285,761)	(285,761)
Total expenses	$ 2,241,078	$ 375,210	$ 439,966	$ 3,056,254	$ -	$ 3,056,254

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Jacksonville, Inc.
Statements of Functional Expenses
(Continued)

For the year ended December 31, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Functional Expenses	Costs of Direct Benefits to Donors	Total Expenses
Salaries and benefits	$ 992,520	$ 293,652	$ 359,051	$ 1,645,223	$ -	$ 1,645,223
Program supplies and expense	168,162	-	2,957	171,119	-	171,119
Professional fees	1,938	10,429	9,316	21,683	-	21,683
Contract services	91,431	-	-	91,431	-	91,431
Printing and publications	402	938	18,054	19,394	-	19,394
Office supplies and expense	2,912	3,999	1,696	8,607	-	8,607
Postage and shipping	234	181	844	1,259	-	1,259
Maintenance and repairs	42,981	-	-	42,981	-	42,981
Dues and subscriptions	481	1,350	3,478	5,309	-	5,309
Telephone	31,476	857	516	32,849	-	32,849
Computer and information technology	30,143	13,195	22,532	65,870	-	65,870
Occupancy	97,857	998	999	99,854	-	99,854
Travel and lodging	1,119	2,906	2,918	6,943	-	6,943
Meetings, training and seminars	405	1,793	71	2,269	-	2,269
Depreciation	646,394	6,596	6,595	659,585	-	659,585
Insurance	78,895	1,644	1,643	82,182	-	82,182
Fundraising expenses - special events	-	-	-	-	130,433	130,433
Fundraising expenses - indirect	-	525	25,281	25,806	-	25,806
Interest	-	3,219	-	3,219	-	3,219
Bank service fees	1,141	(1,069)	12,182	12,254	-	12,254
Taxes and licenses - other	500	439	359	1,298	-	1,298
Miscellaneous	16,169	(363)	1,869	17,675	-	17,675
Total expenses including costs of direct benefits to donors	2,205,160	341,289	470,361	3,016,810	130,433	3,147,243
Less cost of direct benefits to donors netted against special event revenues on the statement of activities	-	-	-	-	(130,433)	(130,433)
Total expenses	$ 2,205,160	$ 341,289	$ 470,361	$ 3,016,810	$ -	$ 3,016,810

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Jacksonville, Inc.
Statements of Cash Flows

For the years Ended December 31,	**2022**	2021
Operating activities		
Change in net assets	**$ (1,816,052)**	$ 567,385
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	**563,220**	659,585
Donated securities	**(5,018)**	(5,093)
Proceeds from sale of donated securities	**5,036**	5,429
Donated property and equipment	**(6,035)**	(16,681)
Net realized and unrealized (gain) loss on investments	**1,360,092**	(863,098)
Gain on forgiveness of PPP loan	**-**	(570,160)
Changes in operating assets and liabilities		
Contributions and other receivables	**(52,896)**	43,021
Pledges receivable, net	**10,000**	17,000
Prepaid expenses and other assets	**19,592**	(29,367)
Accounts payable and accrued expenses	**(15,362)**	17,898
Performance obligation	**94,500**	(50,000)
Net cash provided (used) by operating activities	**157,077**	(224,081)
Investing activities		
Acquisition of property and equipment	**(23,754)**	(13,451)
Disposition of property and equipment	**-**	1,200
Proceeds from sale of investments	**9,437,360**	355,367
Purchase of investments	**(9,485,962)**	(451,012)
Net cash provided (used) by investing activities	**(72,356)**	(107,896)
Financing activities		
Payments on finance lease obligation	**(2,566)**	-
Payments on capital lease obligation	**-**	(2,533)
Acquisition of payroll protection program loan	**-**	290,090
Net cash provided (used) by financing activities	**(2,566)**	287,557
Net change in cash and cash equivalents	**82,155**	(44,420)
Cash and cash equivalents at beginning of year	**1,439,449**	1,483,869
Cash and cash equivalents at end of year	**$ 1,521,604**	$ 1,439,449

Supplemental disclosure of cash flow information: See Note 18.

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF THE ORGANIZATION

Ronald McDonald House Charities® of Jacksonville, Inc. (the "Organization") is a nonprofit corporation established to support the health and well-being of children by providing lodging and other services for critically ill, chronically ill and seriously injured children and their families. The Organization is licensed by McDonald's Corporation as an independent chapter of Ronald McDonald House Charities®, Inc.

The Organization operates a Ronald McDonald House® (the "House") in Jacksonville, Florida which provides lodging and other support services to families who have children with serious illnesses or injuries admitted to Jacksonville area hospitals. The Organization also operates a Ronald McDonald Family Room® at Wolfson Children's Hospital, which is volunteer-staffed and provides a place of respite for families visiting their critically ill child.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements 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). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowances for uncollectible unconditional promises to give, useful life and depreciation method of property and equipment, fair value of investments, and the allocation of functional expenses.

Program Services

The Organization's program services consist of operating the House and Ronald McDonald Family Room® at Wolfson Children's Hospital that provides lodging and other support services to families who have children with serious illnesses or injuries admitted to hospitals in the Jacksonville, Florida area.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contributions and Other Receivables

Contributions and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contributions and other receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the receipt of payment.

Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. At December 31, 2022 and 2021, there was no allowance for contributions and other receivables as management considers all collectible.

Pledges Receivable

Pledges receivable and unconditional promises to give are recognized as revenue when the donor commits the gift or pledge. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. 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 using a credit risk adjusted discount rate. At December 31, 2022 and 2021, all pledges are considered collectable within one year, therefore not adjusted for future cash flows.

An allowance for uncollectible pledges is provided when management determines the receivable will not be collected based on experience and other circumstances. There is no allowance for uncollectible pledges at December 31, 2022. An allowance for uncollectible pledges of $5,000 was recorded at December 31, 2021.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Realized gains and losses on disposition of investments are determined by comparison to specific cost acquisition to proceeds at the time of disposal. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Organization leases office equipment. The Organization determines if an arrangement is a lease at inception. Finance leases are included in property and equipment and finance lease obligation on the statements of financial position.

Lease obligations represent the obligation to make lease payments arising from the lease. Assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No events or circumstances were identified during December 31, 2022 and 2021 that would cause an impairment loss.

Performance Obligation

Revenues received in advance related to fundraising events or program services that could be returned to the donor should the funding not be spent in accordance with the requirements are recorded as a performance obligation. The revenue is recognized as earned in the period which the event takes place or the program service funding requirements are met.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated a portion of the net assets without donor restrictions to support House and program operations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to net assets without donor restrictions. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets without donor restrictions.

Revenue Recognition

Revenue from special events is recognized as revenue when event takes place. Revenue received in advance is deferred and recognized during the period in which the event takes place. These amounts are included in performance obligation liabilities within the statements of financial position.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. It is the Organization's policy to sell donated securities immediately upon receipt.

Donated Services

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 have to be purchased by the Organization. Volunteers also provide fundraising and House program activities throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of 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. Expenses not charged to a specific program or supporting function require allocation on a reasonable basis that is consistently applied as follows: depreciation, insurance, occupancy (including utilities), and communications expense (telephone and cable), are allocated on an estimated square footage basis. Office equipment expense, including interest on equipment finance leases, certain office supplies, general postage and printing, certain professional fees, and information technology are allocated based on full-time equivalents.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Salaries and wages, payroll taxes and employee benefits are allocated on the basis of actual time and effort.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income could result from rent, administration of self-insurance activities, and commissions. No unrelated business income has been identified.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2022 and 2021, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, September 28, 2023. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease obligations on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease obligations by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases as finance leases under the new guidance, without reassess (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recent Accounting Pronouncements (Continued)

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (beginning of the year of adoption) a lease obligation at the carrying amount of the capital lease obligations on December 31, 2021, of $8,463 and equipment at the carrying amount of the capital lease asset of $8,463.

The standard did not have a material impact on the Organization's statements of financial position, statements of activities, nor statements of cash flows.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This change in accounting principal is effective for fiscal years beginning after June 15, 2021. This ASU did not have a significant impact on the Organization's financial reporting.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization receives contributions restricted by donors, and considers contributions restricted for programs, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization maintains financial assets, consisting of cash and 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 reallocated if necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various investments. In addition, the Organization maintains a board-designated fund that allows for annual spending of income and appreciation approved by the board. Distributions are made annually from donor-restricted perpetual endowment funds based on the endowment spending policy (See Note 10).

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY *(Continued)*

The following reflects the Organization's financial assets as of the statement of financial positon date, reduced by amounts not available for general use within one year of the statement of financial positon date because of contractual or donor-imposed restrictions:

December 31,	**2022**	2021
Total assets at year end	**$ 23,567,374**	$ 25,306,854
Less non-financial assets		
Prepaid expenses and other assets	**(27,000)**	(46,592)
Property and equipment, net	**(14,480,580)**	(15,014,011)
Financial assets at year-end	**9,059,794**	10,246,251
Less those not available for general expenditures within one year, due to board designation, contractual or donor-imposed restrictions		
Board designated funds	**(3,868,888)**	(4,571,662)
Accumulated surplus on donor restricted net assets	**(73,694)**	(396,164)
Donor restiricted due to purpose	**(26,806)**	-
Donor- restricted perpetual endowment	**(1,764,406)**	(1,764,406)
Financial assets available to meet cash needs for general expenditures within one year	**$ 3,326,000**	$ 3,514,019

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

Note 4: PLEDGES RECEIVABLE

Pledges receivable consist of the following:

December 31,	**2022**	2021
Due in less than one year	**$ 2,000**	$ 17,000
Allowance for uncollectible pledges	**-**	(5,000)
Pledges receivable, net	**$ 2,000**	$ 12,000

There was no bad debt expense recorded during the years ended December 31, 2022 and 2021.

Note 5: INVESTMENTS

Investments in marketable securities consist of the following:

December 31, 2022	Cost	Market Value
Money market funds	$ 94,074	$ 94,074
Mutual funds	4,255,240	4,041,940
Alternative investments	773,862	772,919
Fixed income	2,476,488	2,495,907
Total investments in marketable securities	**$ 7,599,664**	**$ 7,404,840**

December 31, 2021	Cost	Market Value
Money market funds	$ 470,014	$ 470,014
Mutual funds	5,918,462	7,920,022
Equities	113,646	247,545
Fixed income	74,052	78,767
Total investments in marketable securities	$ 6,576,174	$ 8,716,348
Investments per SFP	7,404,840	8,716,348

The Organization's investment income is summarized as follows:

Year Ended December 31,	**2022**	2021
Interest and dividend income, net of investment fees	**$ 112,857**	$ 195,324
Net realized gains (losses)	**570,613**	73,905
Net unrealized gains (losses)	**(1,930,705)**	789,193
Net investment income (loss)	**$ (1,247,235)**	$ 1,058,422

Investment fees totaled $48,783 and $55,731 for the years ended December 31, 2022 and 2021, respectively.

Note 6: PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following at December 31, 2022 and 2021:

December 31,	Estimated Useful Lives (in years)	**2022**	2021
Land	N/A	**$ 1,576,142**	$ 1,576,142
Buildings and improvements	7-39	**18,491,092**	18,485,771
Furniture, fixtures and equipment	3-10	**1,741,606**	1,731,590
Transportation equipment	5	**25,734**	25,733
		21,834,574	21,819,236
Less accumulated depreciation		**(7,353,994)**	(6,805,225)
Total property and equipment		**14,480,580**	15,014,011
Less restricted land		**(450,000)**	(450,000)
Total unrestricted property and equipment		**$ 14,030,580**	$ 14,564,011

Depreciation expense was $563,220 and $659,585 for the years ended December 31, 2022 and 2021, respectively.

See Note 9 for details on the restricted land.

Note 7: LEASES

The Organization has a finance lease for office equipment. The lease has a remaining term of two years. As of December 31, 2022, assets recorded under the finance lease were $13,495 and accumulated depreciation associated with the finance lease was $7,598.

The components of lease expense consist of the following:

For the year ending December 31,	**2022**
Finance lease cost	
Depreciation of property and equipment	**$ 2,566**
Interest on lease liabilities	**96**
Total finance lease cost	**$ 2,662**

Weighted average remaining lease term and discount rates consist of the following:

Note 7: LEASES (Continued)

For the year ending December 31,	**2022**
Property and equipment obtained in exhange for lease obligations	
Finance leases	**$ 8,463**
Weighted average remaining lease term	
Finance leases	**2.25 years**
Weighted average discount rate	
Finance leases	**1.31%**

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

For the years ending December 31,	Finance Leases
2023	$ 2,661
2024	2,661
2025	666
Total future minimum lease payments	5,988
Less imputed interest	(91)
Present value of lease obligation	$ 5,897

The Organization leases certain office equipment accounted for as a capital lease at December 31, 2021. The capital lease is payable to a leasing company in monthly installments of $222, maturing in April 2025.

Minimum future lease payments under the capital lease obligation at December 31, 2021 are as follows:

Year Ending December 31,	
2022	$ 2,563
2023	2,597
2024	2,631
2025	999
Total minimum lease payments	8,790
Less amount representing interest	(327)
Present value of minimum lease payments	$ 8,463

Note 8: PAYCHECK PROTECTION PROGRAM

In April 2021 and 2020, the Organization received separate loans of $287,000 and $278,100, respectively, under the Paycheck Protection Program ("PPP") pursuant to the CARES Act and administered by the SBA and has reported it as part in the accompanying statements of financial position. The PPP provides for forgivable loans to qualifying organizations. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Monthly principal and interest payments on the loan commence on the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period through the loan maturity date of April 2025 and April 2022, respectively.

In January 2022, the Organization formally received forgiveness of the PPP loan from the SBA in the amount of $287,000 plus accrued interest. In April 2021, the Organization formally received forgiveness of the PPP loan from the SBA in the amount of $278,100 plus accrued interest. The SBA forgave both PPP loans, totaling $565,100 plus interest, and paid the lender on behalf of the Organization, recognized during the year ended December 31, 2021. Further, loans issued under $2 million may be subject to audit by the SBA. The Organization may be required to return a portion of the loan proceeds at the conclusion of the SBA audit. Any proceeds required to be returned will be repaid under the statutory terms of the PPP Program, including interest at 1%.

Note 9: NET ASSETS

A summary of net assets without donor restrictions consists of the following:

December 31	**2022**	2021
Undesignated	**$ 17,192,718**	$ 18,010,332
Board designated		
House and program operations	**3,868,888**	4,571,662
Total net assets without donor restrictions	**$ 21,061,606**	$ 22,581,994

Note 9: NET ASSETS *(Continued)*

A summary of net assets with donor restrictions consists of the following:

December 31,		**2022**		2021
Purpose restricted				
Kid Zone	**$**	**26,806**	$	-
Subject to the Organization's spending policy and appropriation				
Accumulated gain (loss)		**73,694**		396,164
Restricted in perpetuity				
Contributed land		**450,000**		450,000
Original donor restricted gift amount and amount required to be maintained by donor		**1,764,406**		1,764,406
Total restricted in perpetuity		**2,288,100**		2,610,570
Total net assets with donor restrictions	**$**	**2,314,906**	$	2,610,570

A summary of the release of donor restrictions consists of the following:

Purpose restrictions				
Endowments	**$**	**-**	$	94,995
Kid Zone		**3,194**		-
Total net assets with donor restrictions	**$**	**3,194**	$	94,995

Net assets with donor restrictions are reclassified to net assets without donor restrictions when the time restrictions expires or the funds are utilized for the restricted purpose.

Net assets with donor restrictions that are perpetual in nature consist of endowment contributions to be held in perpetuity. Funds include the Children's Legacy Fund and the Kroc Endowment Fund. Contributions to these funds were recorded at fair market value at the time of receipt, $1,231,574 and $532,832, respectively. Income from the funds is intended to support House program expenditures and are distributed in accordance with the Organization's endowment spending policy.

Note 9: NET ASSETS *(Continued)*

The Organization received land with donor restrictions that are perpetual in nature that was recorded at its fair market value at the date of contribution. The land is part of the property on which the facility is built and is donor restricted in perpetuity to be used as the site for the Ronald McDonald House facility. In accordance with the terms of the donor agreement, ownership of the land will revert back to the donor if the land is used for any other purpose and it may not be sold.

Note 10: ENDOWMENTS

The Organization's endowment consists of two individual funds established to support House program expenditures. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Finance Committee of the Organization has interpreted the State of Florida's Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, 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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies determined and recommended by the Finance Committee, and approved by the Board of Directors, 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. The Organization engages professional investment advisors to handle the investment of endowed and other funds. 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, alternative investments and money market funds. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 3% over the inflation rate 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.

Note 10: ENDOWMENTS (Continued)

Spending Policy. The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through September 30. In no case will the distribution exceed 5% of, nor be less than 3% of, the fair value of endowment assets as of September 30 of the previous year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at an average rate as indicated in the previous paragraph, less the annual distribution. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by the donors or by law (underwater endowments). The Organization has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. The fund was not underwater for the year ended December 31, 2022 and 2021. The fair value of the fund at years ended December 31, 2022 and 2021 was $1,838,100 and $2,160,570 respectively. The original funds amount restricted in perpetuity is $1,764,406 for both years ended December 31, 2022 and 2021.

Endowment net asset composition by type of fund consists of the following:

Year Ended December 31,	**2022**	2021
Donor-restricted endowment net assets in perpetuity	**$ 1,764,406**	$ 1,764,406
Accumulated surplus (deficit) on donor-restricted endowment net assets available for expenditure	**73,694**	396,164
Total donor-restricted endowment net assets	**$ 1,838,100**	$ 2,160,570

Changes in endowment net assets consists of the following for the years ended December 31, 2022 and 2021:

Year Ended December 31,	**2022**	2021
Endowment net assets - January 1,	**$ 2,160,570**	$ 2,001,439
Investment income	**38,213**	64,117
Net appreciation (depreciation) on investments	**(348,818)**	204,087
Investment management fees	**(11,865)**	(14,078)
Amounts appropriated for expenditures	**-**	(94,995)
Endowment net assets - December 31,	**$ 1,838,100**	$ 2,160,570

Note 11: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
    - observable; or
    - can be corroborated by observable market data.

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Equities: Valued at the closing price reported on the active market on which the individual equity securities are traded.

Fixed income: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Note 11: FAIR VALUE MEASUREMENTS *(Continued)*

Alternative investments: Valued using pricing models or other valuation methodologies maximizing the use of observable inputs.

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

Assets and liabilities measured at fair value on a recurring basis consists of the following:

December 31, 2022	Level 1	Level 2	Level 3	Total
Money market funds	$ 94,074	$ -	$ -	**$ 94,074**
Mutual funds	4,041,940	-	-	**4,041,940**
Alternative investments	-	-	772,919	**772,919**
Fixed income	2,495,907	-	-	**2,495,907**
Total investments at fair value	$ 6,631,921	$ -	$ 772,919	**$ 7,404,840**

December 31, 2021	Level 1	Level 2	Level 3	Total
Money market funds	$ 470,014	$ -	$ -	$ 470,014
Mutual funds	7,684,863	-	235,159	7,920,022
Equities	247,545	-	-	247,545
Fixed income	78,767	-	-	78,767
Total investments at fair value	$ 8,481,189	$ -	$ 235,159	$ 8,716,348

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2022, there was a purchase of $540,000 of Level 3 investments due to a change in the investment blend. For the year ended December 31, 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 11: FAIR VALUE MEASUREMENTS *(Continued)*

Changes in Fair Value of Level 3 Assets and Related Gains and Losses

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets:

Year Ended December 31,	**2022**	2021
Fair value, beginning of year	**$ 235,159**	$ 160,437
Level 3 investments purchased	**540,000**	25,000
Unrealized gains	**(2,239)**	49,722
Fair value, end of year	**$ 772,920**	$ 235,159

Note 12: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash with a financial institution in excess of the FDIC limit of $250,000 by approximately $1,020,000 and $1,190,000 at December 31, 2022 and 2021, respectively.

The Organization's credit risk is inherent principally in its investments. Adverse economic conditions either domestically or internationally may result in a reduction of the investments' carrying amount. Market risk of the Organization's investment portfolio is monitored through ongoing review of asset allocations and evaluation by independent investment advisers.

Note 13: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution retirement plan (the Plan) covering all eligible employees who have completed one year of service and are at least 21 years of age. The Organization matches 50% of the amount contributed by the employee, up to a maximum of 6% of the employee's gross wages. Employees become 20% vested in the Organization's contribution for each year of service, up to five years. For the years ended December 31, 2022 and 2021, the Organization's contributions to the Plan totaled $15,610 and $19,929, respectively.

Note 14: DONATED MATERIALS, PROPERTY AND SERVICES

The estimated fair market value of donated materials, property and services included in the financial statements are as follows:

Year Ended December 31,	**2022**	2021
Fundraising services and expenses	**$ -**	$ 600
House program supplies and expenses	**46,023**	71,459
Property and equipment donations	**6,035**	16,681
Professional services	**15,357**	12,575
Other management and general	**1,600**	1,400
Total donated materials, property and services	**$ 69,015**	$ 102,715

Note 15: SPECIAL EVENTS ACTIVITIES

Due to COVID, the only event not held during the year ending December 31, 2021 was the McGala. Revenues collected in relation to that event were released by the donor to be used for general purposes. Therefore, the revenue was reclassified to be included in contributions.

Special events activities, including donated revenues and expenses (Note 14), consist of the following:

Year Ended December 31,	**2022**	2021
Revenues		
McGala	**$ 593,170**	$ -
Golf Tournament	**310,910**	309,404
Light Up the House 5k	**167,626**	193,791
Clay Sporting Event	**-**	116,794
Total revenues	**1,071,706**	619,989
Expenses		
Total direct expenses	**(285,761)**	(130,433)
Net special events activities	**$ 785,945**	$ 489,556

Note 16: COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA ENDOWMENTS

The Community Foundation for Northeast Florida, Inc. (the Foundation), a non-profit charitable foundation, previously received donations totaling $690,775 in the Organization's name. Earnings from these funds are to be used for the benefit and support of the Organization. Amounts available for granting and received by the Organization from the Foundation for the years ended December 31, 2022 and 2021 totaled $31,296 and $28,869, respectively.

Note 17: RONALD MCDONALD FAMILY ROOM®

There were no expenses in salaries for the coordination of volunteers related to the Ronald McDonald Family Room® licensed ancillary program operations (Note 1) during the years ending December 31, 2022 and 2021. During 2020, the Room was closed due to COVID. At December 31, 2022, the Room remains closed.

Note 18: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash Investing and Financing Activities

Finance lease obligations arising from obtaining right-of-use assets in the amount of $8,463 for the year ended December 31, 2022.

Supplemental Cash Flow Disclosure

Cash paid for interest totaled $96 and $3,219 for the years ended December 31, 2022 and 2021, respectively.