

**RONALD MCDONALD HOUSE
OF NEW YORK, INC.**



Keeping Families Close.

**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2022 and 2021

RONALD MCDONALD HOUSE OF NEW YORK, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House of New York, Inc.
New York, New York

Opinion

We have audited the financial statements of Ronald McDonald House of New York, Inc. (the "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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 ("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 the Organization 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 the Organization'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.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 the Organization'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 the Organization'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.

Mayer Hoffman McCann CPAs

New York, NY
July 17, 2023

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2B and 13)	\$ 1,736,276	\$ 1,831,858
Contributions and pledges receivable, net (Notes 2F and 4)	920,279	1,204,971
Investments (Notes 2G, 2H, 5 and 6)	91,373,284	112,199,645
Prepaid expenses and other receivables (Note 2F and 5)	884,864	767,430
Investments held for pension and deferred compensation plans (Notes 5, 6 and 10)	700,796	853,426
Property and equipment, net (Notes 2E, 7 and 9)	30,782,453	31,404,968
TOTAL ASSETS	\$ 126,397,952	\$ 148,262,298
LIABILITIES		
Accounts payable and accrued expenses (Note 10)	\$ 3,130,866	\$ 2,594,408
Refundable advances (Notes 2F and 2M)	244,421	634,815
Bonds payable, net (Note 9)	8,121,645	8,450,466
TOTAL LIABILITIES	11,496,932	11,679,689
CONTINGENCY (Note 14)		
NET ASSETS (Note 2C)		
Without donor restrictions:		
Operations	50,062,925	70,436,438
Net investment in property and equipment	22,660,808	22,954,502
Board designated for future operations (Notes 2C and 11)	40,700,000	40,700,000
Total net assets without donor restrictions	113,423,733	134,090,940
With donor restrictions (Notes 5 and 11)		
Restricted for purpose and time	528,329	1,405,831
Perpetual in nature	948,958	1,085,838
Total net assets with donor restrictions	1,477,287	2,491,669
TOTAL NET ASSETS	114,901,020	136,582,609
TOTAL LIABILITIES AND NET ASSETS	\$ 126,397,952	\$ 148,262,298

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

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Year Ended December 31, 2022</u>			<u>Year Ended December 31, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
PUBLIC SUPPORT AND REVENUE:						
Public Support:						
Special events revenue (Note 2J)	\$ 6,269,502	\$ -	\$ 6,269,502	\$ 6,270,068	\$ -	\$ 6,270,068
Less: cost of direct benefit to donors	<u>(1,013,773)</u>	<u>-</u>	<u>(1,013,773)</u>	<u>(411,693)</u>	<u>-</u>	<u>(411,693)</u>
Special events, net	5,255,729	-	5,255,729	5,858,375	-	5,858,375
Bequests (Note 2F)	838,868	-	838,868	494,386	-	494,386
Direct mail contributions (Note 2F)	1,854,627	-	1,854,627	2,373,972	-	2,373,972
Contributions (Note 2F)	3,715,771	296,125	4,011,896	4,605,226	110,000	4,715,226
In-kind contributions (Notes 2K and 2N)	<u>773,637</u>	<u>-</u>	<u>773,637</u>	<u>632,656</u>	<u>-</u>	<u>632,656</u>
Total public support	<u>12,438,632</u>	<u>296,125</u>	<u>12,734,757</u>	<u>13,964,615</u>	<u>110,000</u>	<u>14,074,615</u>
Revenue:						
Room donation revenue (Note 2F)	291,329	-	291,329	122,126	-	122,126
Investment (loss) income, net (Notes 5 and 6)	(14,871,055)	(136,880)	(15,007,935)	13,303,014	(18,077)	13,284,937
Other	<u>4,798</u>	<u>-</u>	<u>4,798</u>	<u>39,819</u>	<u>-</u>	<u>39,819</u>
Total revenue	<u>(14,574,928)</u>	<u>(136,880)</u>	<u>(14,711,808)</u>	<u>13,464,959</u>	<u>(18,077)</u>	<u>13,446,882</u>
Net assets released from restrictions (Note 11)	<u>1,173,627</u>	<u>(1,173,627)</u>	<u>-</u>	<u>262,760</u>	<u>(262,760)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>(962,669)</u>	<u>(1,014,382)</u>	<u>(1,977,051)</u>	<u>27,692,334</u>	<u>(170,837)</u>	<u>27,521,497</u>
EXPENSES:						
Program Services						
Room occupancy	10,083,634	-	10,083,634	8,463,178	-	8,463,178
Volunteer activities	614,121	-	614,121	379,294	-	379,294
Education and support	1,418,748	-	1,418,748	958,376	-	958,376
Outreach programs	<u>441,183</u>	<u>-</u>	<u>441,183</u>	<u>1,113,668</u>	<u>-</u>	<u>1,113,668</u>
Total program services	<u>12,557,686</u>	<u>-</u>	<u>12,557,686</u>	<u>10,914,516</u>	<u>-</u>	<u>10,914,516</u>
Supporting Services:						
Management and general	2,131,087	-	2,131,087	1,889,753	-	1,889,753
Fundraising	<u>5,015,765</u>	<u>-</u>	<u>5,015,765</u>	<u>4,591,781</u>	<u>-</u>	<u>4,591,781</u>
Total supporting services	<u>7,146,852</u>	<u>-</u>	<u>7,146,852</u>	<u>6,481,534</u>	<u>-</u>	<u>6,481,534</u>
TOTAL EXPENSES	<u>19,704,538</u>	<u>-</u>	<u>19,704,538</u>	<u>17,396,050</u>	<u>-</u>	<u>17,396,050</u>
CHANGE IN NET ASSETS	(20,667,207)	(1,014,382)	(21,681,589)	10,296,284	(170,837)	10,125,447
Net assets - beginning of year	<u>134,090,940</u>	<u>2,491,669</u>	<u>136,582,609</u>	<u>123,794,656</u>	<u>2,662,506</u>	<u>126,457,162</u>
NET ASSETS - END OF YEAR	<u>\$ 113,423,733</u>	<u>\$ 1,477,287</u>	<u>\$ 114,901,020</u>	<u>\$ 134,090,940</u>	<u>\$ 2,491,669</u>	<u>\$ 136,582,609</u>

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

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

For the Year Ended December 31, 2022

	Program Services				Supporting Services		Total 2022	Total 2021	
	Room Occupancy	Volunteer Activities	Education & Support	Outreach Programs	Total Program	Management and General			Fundraising
Salaries	\$ 2,719,963	\$ 382,441	\$ 601,591	\$ 139,766	\$ 3,843,761	\$ 1,193,623	\$ 1,562,945	\$ 6,600,329	\$ 5,656,493
Payroll taxes and employee benefits (Note 10)	692,503	117,960	175,084	40,610	1,026,157	291,176	421,032	1,738,365	1,559,031
Total Salaries and Related Costs	3,412,466	500,401	776,675	180,376	4,869,918	1,484,799	1,983,977	8,338,694	7,215,524
Occupancy	331,689	-	-	-	331,689	1,667	-	333,356	275,428
Repairs and maintenance (Note 2K)	437,615	-	-	-	437,615	2,199	-	439,814	407,471
Supplies (Note 2K)	303,083	-	383	-	303,466	60,720	50,884	415,070	275,110
Family activity expenses:									
Program entertainment, enrichment and meals (Note 2K)	817,795	2,343	214,637	112,918	1,147,693	-	-	1,147,693	902,880
Trips, outings and parties	-	29,064	2,691	-	31,755	-	-	31,755	9,349
Education and counseling	184,883	-	17,802	74,146	276,831	-	-	276,831	262,017
Transportation and other	343,807	-	-	-	343,807	-	-	343,807	243,679
Family Room construction costs	-	-	-	59,120	59,120	-	-	59,120	623,937
Volunteer and staff recognition (Note 2K)	-	72,601	-	-	72,601	-	-	72,601	384
Staff development	23,630	-	-	-	23,630	6,705	9,695	40,030	24,630
Fundraising support activities (Note 2K)	-	-	-	-	-	-	204,609	204,609	107,988
Event facilities, meal and entertainment	-	-	-	-	-	-	1,709,631	1,709,631	1,044,436
Printing and publications	29,763	-	-	-	29,763	1,536	-	31,299	51,524
Professional fees (Note 2K)	847,222	-	30,000	-	877,222	448,531	393,381	1,719,134	1,026,239
Telephone	113,739	569	394	3,298	118,000	18,064	47,278	183,342	176,433
Insurance	340,991	-	-	-	340,991	1,714	-	342,705	324,275
Postage, messenger and other	5,691	98	-	-	5,789	1,642	3,415	10,846	15,483
Printing, postage and direct mail campaign expenses (Note 12)	-	-	374,622	-	374,622	-	1,342,921	1,717,543	1,680,317
Travel	7,055	115	517	1,881	9,568	1,383	863	11,814	3,490
Security	264,465	-	-	-	264,465	-	-	264,465	233,288
Miscellaneous	266,396	8,930	1,027	-	276,353	33,003	282,884	592,240	431,130
Bad debt (Note 2F)	-	-	-	-	-	57,353	-	57,353	72,500
Depreciation (Notes 2E and 7)	2,105,450	-	-	9,444	2,114,894	10,548	-	2,125,442	2,127,549
Interest expense and related fees (Notes 8 and 9)	247,894	-	-	-	247,894	1,223	-	249,117	272,682
Subtotal	10,083,634	614,121	1,418,748	441,183	12,557,686	2,131,087	6,029,538	20,718,311	17,807,743
Less: cost of direct benefit to donors (Note 2J)	-	-	-	-	-	-	(1,013,773)	(1,013,773)	(411,693)
TOTAL EXPENSES	\$ 10,083,634	\$ 614,121	\$ 1,418,748	\$ 441,183	\$ 12,557,686	\$ 2,131,087	\$ 5,015,765	\$ 19,704,538	\$ 17,396,050
TOTAL EXPENSES 2021	\$ 8,463,178	\$ 379,294	\$ 958,376	\$ 1,113,668	\$ 10,914,516	\$ 1,889,753	\$ 4,591,781	\$ 17,396,050	

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

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

For the Year Ended December 31, 2021

	Program Services				Total Program	Supporting Services		Total 2021
	Room Occupancy	Volunteer Activities	Education & Support	Outreach Programs		Management and General	Fundraising	
Salaries	\$ 2,333,804	\$ 280,805	\$ 447,639	\$ 125,889	\$ 3,188,137	\$ 1,117,750	\$ 1,350,606	\$ 5,656,493
Payroll taxes and employee benefits (Note 10)	<u>605,267</u>	<u>79,133</u>	<u>143,551</u>	<u>50,757</u>	<u>878,708</u>	<u>308,072</u>	<u>372,251</u>	<u>1,559,031</u>
Total Salaries and Related Costs	2,939,071	359,938	591,190	176,646	4,066,845	1,425,822	1,722,857	7,215,524
Occupancy	274,051	-	-	-	274,051	1,377	-	275,428
Repairs and maintenance (Note 2K)	405,434	-	-	-	405,434	2,037	-	407,471
Supplies (Note 2K)	188,013	6,005	9,644	2,752	206,414	40,118	28,578	275,110
Family activity expenses:								
Program entertainment, enrichment and meals (Note 2K)	667,979	2,969	134,850	97,082	902,880	-	-	902,880
Trips, outings and parties	-	8,321	-	1,028	9,349	-	-	9,349
Education and counseling	51,151	-	7,314	203,552	262,017	-	-	262,017
Transportation and other	243,679	-	-	-	243,679	-	-	243,679
Family Room construction costs	-	-	-	623,937	623,937	-	-	623,937
Volunteer and staff recognition (Note 2K)	-	384	-	-	384	-	-	384
Staff development	10,134	1,249	1,943	556	13,882	4,867	5,881	24,630
Fundraising support activities (Note 2K)	-	-	-	-	-	-	107,988	107,988
Event facilities, meal and entertainment	-	-	-	-	-	-	1,044,436	1,044,436
Printing and publications	18,351	-	-	-	18,351	2,240	30,933	51,524
Professional fees (Note 2K)	471,509	-	-	-	471,509	296,573	258,157	1,026,239
Telephone	109,494	428	428	1,382	111,732	18,560	46,141	176,433
Insurance	322,654	-	-	-	322,654	1,621	-	324,275
Postage, messenger and other	9,068	-	-	-	9,068	2,905	3,510	15,483
Printing, postage and direct mail campaign expenses (Note 12)	-	-	212,986	-	212,986	-	1,467,331	1,680,317
Travel	1,235	-	21	1,933	3,189	157	144	3,490
Security	232,121	-	-	-	232,121	1,167	-	233,288
Miscellaneous	135,806	-	-	-	135,806	7,806	287,518	431,130
Bad debt (Note 2F)	-	-	-	-	-	72,500	-	72,500
Depreciation (Notes 2E and 7)	2,112,111	-	-	4,800	2,116,911	10,638	-	2,127,549
Interest expense and related fees (Notes 8 and 9)	<u>271,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,317</u>	<u>1,365</u>	<u>-</u>	<u>272,682</u>
Subtotal	8,463,178	379,294	958,376	1,113,668	10,914,516	1,889,753	5,003,474	17,807,743
Less: cost of direct benefit to donors (Note 2J)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(411,693)</u>	<u>(411,693)</u>
TOTAL EXPENSES	<u>\$ 8,463,178</u>	<u>\$ 379,294</u>	<u>\$ 958,376</u>	<u>\$ 1,113,668</u>	<u>\$ 10,914,516</u>	<u>\$ 1,889,753</u>	<u>\$ 4,591,781</u>	<u>\$ 17,396,050</u>

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

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (21,681,589)	\$ 10,125,447
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,125,442	2,127,549
Bad debt	57,353	72,500
Amortization of deferred financing costs	4,513	4,352
Unrealized loss (gain) on investments	15,518,907	(11,800,057)
Realized loss (gain) on investment sales	68,558	(928,588)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions and pledges receivable	227,339	592,705
Prepaid expenses and other receivables	(117,434)	(14,306)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	536,458	463,258
Refundable advances	(390,394)	(680,278)
Net Cash Used in Operating Activities	(3,650,847)	(37,418)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,502,927)	(567,059)
Proceeds from investment sales	6,454,254	1,982,013
Purchases of investments	(1,062,728)	(1,993,573)
Net Cash Provided by (Used in) Investing Activities	3,888,599	(578,619)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of bonds payable	(333,334)	(333,334)
Paycheck Protection Program repayment	-	(1,104,810)
Net Cash Used in Financing Activities	(333,334)	(1,438,144)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(95,582)	(2,054,181)
Cash and cash equivalents - beginning of year	1,831,858	3,886,039
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,736,276	\$ 1,831,858
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 244,604	\$ 268,330

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

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Since 1978, Ronald McDonald House New York (the “Organization”) has provided families with a supportive and caring environment consisting of comprehensive programs. The largest of the Organization’s programs currently is to provide a temporary home (the “House”) for families during their stay in New York while the child undergoes pediatric outpatient care at the hospital in New York City. The House has 95 guest rooms, including six post-transplant suites. The House has laundry facilities on each guest floor, five large kitchens, a communal dining room, the Macy’s Living Room, a multi-faceted Playroom, and two outside terraces. Round trip transportation to and from hospital appointments and daily meals are also provided. The Organization does not charge families for any of the housing, programs or services provided.

The Organization recognizes the importance and benefit they provide to families who both stay at the House and those they serve in the NYC Community. Over the past 2 years, the House has embarked on a Strategic Plan of growth and diversification to further its reach in the Community and to ensure the longevity of the Organization. The Organization extensively researched the Social Determinants of Health and their impact on Health Equity in the most needed of its NYC Communities and those children and their families for whom it serves. The Organization’s Strategic Plan is built to specifically address this growing need through its expanded yet tailored Outreach Programs, Family Rooms, Wellness Offerings, Navigation and Family Support efforts, Transportation and Meal Programs, and enhancements at its 73rd Street Ronald McDonald House itself.

The Organization continues to offer programs to meet the needs of its diverse guests. The programs include education, tutoring, arts and crafts activities, and wellness for the caregiver. The Organization’s education programs allow patients and siblings to receive one-on-one tutoring, while its English as a Second Language (ESL) Program helps their international guests build their English skills. Other programs include Weird Science, Cooking Chronicles, Therapy Dog visits, and Teen Night which allow all children/young adults in residence the opportunity to have a sense of normalcy and fun. The Blavatnik Family Foundation Wellness Center has been a vital resource for the Organization’s caregivers. Services provided in the Center focus on mind, body and soul and help to assuage the daily pressures of hospital visits and heavy toll of caring for an ill child.

The Organization’s comprehensive Hospital Outreach Program serves children and families at four of its partnering hospitals throughout the year who are not residents of the House yet need support while undergoing treatment. The programs include Musical Magic, Breathe In Breathe Out, and special programming at New York City Health and Hospitals. The Hospitality Cart Program provides healthy snacks and refreshments for caregivers, siblings and patients in the inpatient pediatric unit and pediatric rehabilitation unit. Lastly, the Ronald McDonald Family Rooms located at Kings County and Elmhurst Hospitals provide a place of respite for caregivers/parents with children in the NICU, PICU and Pediatric Units.

As result of the pandemic and continuing on today, the Organization introduced new digital, delivered, and hybrid program models for its House residents and those at partnering hospitals. This shift allows the Organization to further expand its reach across New York City’s five boroughs. The Program teams have been able to not only maintain but enhance and innovate new family programming. New services include their Programs to Go: Enrichment Series, Hospitality to Go, Go Snack Packs, Wellness to Go, and Wellness Caring Crates. These programs are curated to each population’s needs. The Organization’s programs are age-appropriate, enriching, and informative. They are aimed at keeping families close and engaged, particularly while in isolation and at patients’ bedsides. The Organization promotes active learning through hands-on experiences available and tailored to each family and individual. The Organization also assembles and delivers special physical and hybrid packages to patients (children) and caregivers. A virtual live stream/asynchronous viewing component allows them to meet the needs of those children and caregivers not able to leave their hospital bed, supporting an inclusive environment. The House has resumed most of its pre-pandemic activities, along with incorporating these virtual experiences, keeping with strict protocols to ensure the families are safe.

The Organization also provides services through their Family Support Department for all families staying at the House. This may include inpatient support for families when their children are admitted to a partner hospital or navigation services to help first-time families become acclimated to their environment in New York City, as well as following up and connecting them to needed resources when they are ready to return home.

The Organization is a Section 501(c)(3) organization under the applicable provisions of the Internal Revenue Code (the “Code”) and, accordingly, is not subject to federal income taxes. The Organization is also exempt from New York State and City income and sales taxes. The Organization has been classified as a publicly-supported charitable organization under Section 509 (a) (1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. The Organization considers highly liquid instruments with a maturity of three months or less when acquired, to be operating cash equivalents. Additionally, the Organization considers all cash other than that held in the Organization's investment portfolio to be cash.
- C. The Organization maintains its net assets under the following classes:
- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

During 2016, the Organization initiated a campaign to solicit commitments from the Board for the long-term viability and to further the mission of the Organization and for the Building Expansion Project to increase the facility from 84 rooms to 95 rooms. Upon completion of the prior expansion project, the Board determined that a total of \$40,700,000 should be designated as follows: \$34,000,000 as a reserve for future operational needs representing approximately two years' of operating expenses, and a \$6,700,000 reserve to pay down the remaining balance on the fixed rate bond prior to its maturity date in May 2027. See Note 9.

- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained in perpetuity by the Organization, and unappropriated endowment earnings.
- D. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.
- E. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes property and equipment with a cost of \$5,000 or higher and a useful life of at least one year.
- The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. As of December 31, 2022 and 2021, there were no impairments.
- F. 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 discount factor used is computed based on risk adjusted interest rates for the expected term of the promises to give applicable in the years in which the promises are made by the donor, if material. Amortization of the discounts is included in contribution income.

As of both December 31, 2022 and 2021, the Organization determined that an allowance for uncollectible contributions and pledges of \$150,000 was necessary. This determination is based on a combination of factors, such as management's estimate of the creditworthiness of the contributors, a review of individual accounts outstanding, and the aged basis of the receivable and historical experience. For the years ended December 31, 2022 and 2021, the Organization determined that \$57,353 and \$72,500 of contribution and pledges receivable were uncollectible and were written off to bad debt expense.

Room donation revenue and receivable (included with prepaid expenses and other receivables on the accompanying statements of financial position) are recorded when the families check in to stay at the Organization.

Bequests are recognized as receivables at the time unassailable rights to the gifts have been established and the proceeds are measurable.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2022 and 2021, conditional contributions have been received and are included in refundable advances. See Note 2M.

- G.** Investments are carried at fair value. Investment income, including realized and unrealized gains and losses, are recorded in net assets without donor restrictions unless there are restrictions that have been imposed by donors or other outside parties. Investment income on donor restricted endowments are recorded in net assets with donor restrictions until appropriated for spending by the Board.
- H.** Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.
- I.** The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy and depreciation are allocated on a square footage basis. Salaries and wages, benefits and payroll taxes are allocated on the basis of time and effort spent on various functions. All other expenses are directly charged by actual departmental use.

- J.** The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.
- K.** In-kind contributions are recorded as revenue in the period in which they are received, and which would typically be purchased had they not been provided by donation. For the years ended December 31, 2022 and 2021, the Organization recorded contributed goods and services amounting to \$773,637 and \$632,656, respectively, which are included in revenue and expenses in the accompanying statements of activities. See Note 2N.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind contributions and gifts in-kind included the following for the year ended December 31, 2022:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Technique</u>
Contributed professional fees	\$ 294,743	Program, management and general	No associated donor restriction	Based on fair value of services
Contributed entertainment and enrichment	68,605	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Contributed supplies	140,272	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Donated food	<u>270,017</u>	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Total	<u>\$ 773,637</u>			

In-kind contributions and gifts in-kind included the following for the year ended December 31, 2021:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Technique</u>
Contributed professional fees	\$ 153,464	Program, management and general	No associated donor restriction	Based on fair value of services
Contributed entertainment and enrichment	44,022	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Contributed supplies	76,725	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Donated food	356,445	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Airline tickets	<u>2,000</u>	Program	No associated donor restriction	Based on cost of supplies, food and beverages.
Total	<u>\$ 632,656</u>			

Many volunteers, including members of the Board, have made significant contributions of time in furtherance of the Organization's policies and programs. The value of this contributed time does not meet the criteria for recognition and therefore is not reflected in the financial statements. The value of such contributed time amounted to \$212,992 and \$118,240, respectively, for the years ended December 31, 2022 and 2021. The significant increase is due to prior year restrictions on volunteerism at the Organization due to COVID-19.

**RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. The Organization has a licensing agreement with Ronald McDonald Charities (“Charities”) whereby the Organization has the right to use certain trademarks. The Organization also has the obligation to meet certain compliance requirements stipulated by the Charities.
- M. The Organization receives cash in advance of special events that are to be held after the statements of financial position date. It is the Organization’s policy to refund all cash received in advance of special events for both the contribution and exchange portion if the event is subsequently cancelled. Included in refundable advances as of December 31, 2022 and 2021, are conditional contributions of approximately \$125,000 and \$150,000, respectively.
- N. **Recent Accounting Pronouncements** – FASB ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“Gifts-in-Kind”) was adopted by the Organization for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendments did not change existing recognition and measurement requirements for those assets. The adoption of ASU 2020-07 did not result in changes to the Organizations financial statements.
- O. **Reclassification** – Certain line items on the December 31, 2021 statement of functional expenses have been reclassified to conform to the December 31, 2022 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,736,276	\$ 1,831,858
Contributions and pledges receivable, net	920,279	1,204,971
Investments	<u>91,373,284</u>	<u>112,199,645</u>
Total financial assets	94,029,839	115,236,474
Less donor and other imposed restrictions:		
Subject to specified purpose or passage of time	(528,329)	(1,405,831)
Endowments perpetual in nature	<u>(948,958)</u>	<u>(1,085,838)</u>
Financial assets net of donor and other imposed restrictions	92,552,552	112,744,805
Internal designation:		
Board designated expansion fund	<u>(40,700,000)</u>	<u>(40,700,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 51,852,672</u>	<u>\$ 72,044,805</u>

As part of the Organization’s liquidity management plan, the Organization invests excess cash beyond expected operating needs in short-term investments, CDs and money market funds. Occasionally, the Board designates a portion of any operating surplus to its Board operating reserve.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET

Contributions and pledges receivable, net consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 930,279	\$ 1,126,295
Amounts due in one to five years	<u>140,000</u>	<u>228,676</u>
	1,070,279	1,354,971
Allowance for uncollectible accounts	<u>(150,000)</u>	<u>(150,000)</u>
	<u>\$ 920,279</u>	<u>\$ 1,204,971</u>

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>	
Cash	\$ 534,339	\$ 408,771	
Money market funds	2,211,354	1,387,238	
Fixed income securities:			
Mutual funds	15,127,574	21,762,984	
Mutual funds:			
U.S. large cap	11,414,838	15,663,400	
Non U.S. equities	<u>6,160,643</u>	<u>9,115,513</u>	
Subtotal	<u>35,448,748</u>	<u>48,337,906</u>	
Alternative investments:			
Hedge funds	2,959,988	6,486,749	A
Limited partnerships	43,884,277	52,383,425	B
Other investments	<u>9,080,271</u>	<u>4,991,565</u>	C
Subtotal	<u>55,924,536</u>	<u>63,861,739</u>	
Total Investments	<u>\$ 91,373,284</u>	<u>\$112,199,645</u>	
Investments held for pension and deferred compensation plans:			
Mutual funds	<u>\$ 700,796</u>	<u>\$ 853,426</u>	

- A. Hedge funds are investments in cash, limited partnerships and pooled investment funds that invest primarily in domestic and international equity and mortgage securities. The hedge funds may also trade various financial instruments with off-balance sheet risk. These financial instruments may include securities sold short and long, option contracts, differential and foreign currency forward contracts.

Such transactions subject the hedge and real assets funds and their investors to market risk associated with changes in the value of the underlying securities, financial instruments, and foreign currencies, as well as the risk of loss if the counterparty fails to perform. The respective hedge fund managers endeavor to limit the risk associated with such transactions. There are no unfunded commitments.

- B. Limited partnerships are funds, whose purpose is to achieve capital appreciation through investments primarily in hedge funds, domestic and foreign equity funds and private equity funds. There are no unfunded commitments.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – INVESTMENTS (Continued)

C. Other investments include return enhancement notes and buffered return enhancement notes that combine a debt security with an underlying asset, such as an equity, a basket of equities, a domestic or international index, a commodity or some type of hybrid security and investments in hard assets such as gold. Gains on structured investments may be capped and there may be no principal protection in the event of a market decline. There are no unfunded commitments.

The Board has adopted a total return spending plan strategy. Under this plan, a percentage distribution is based on a formulaic valuation of portfolio assets, recommended by the Committee and approved by the Board. The Portfolio investments are managed to produce a total return that, over a reasonable period of time, will exceed the sum of the percentage distribution plus inflation, management fees and other expenses. The Committee considers both long-term and short-term needs of the Organization in its investments.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Included in investments as of December 31, 2022 and 2021, respectively, were \$700,796 and \$853,426, held for pension and deferred compensation plans and \$948,958 and \$1,085,838 permanently held for endowment as of December 31, 2022 and 2021, respectively.

Interest receivable of \$33,436 and \$4,956 as of December 31, 2022 and 2021, respectively, is for interest earned on investments, but not received, and is included in prepaid expenses and other receivables on the statements of financial position.

Investment return consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 806,808	\$ 770,069
Realized (loss) gain	(68,558)	928,588
Unrealized (loss) gain	(15,518,907)	11,800,057
Investment expenses	<u>(227,278)</u>	<u>(213,777)</u>
Total Investment (Loss) Income, net	<u>\$ (15,007,935)</u>	<u>\$ 13,284,937</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Certain of the Organization’s investments are classified as alternative investments and are recorded at fair value, based on the applicable percentage ownership of the net assets as of the measurement date, as reported by the investment managers, in an amount equal to the Net Asset Value (“NAV”) of shares held by the Organization at year-end.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The NAV, as provided by the investment managers, is used as the practical expedient to estimate the fair value of the underlying investments. As of December 31, 2022 and 2021, the Organization had no unfunded commitments to invest in these alternative investment funds. Redemptions at NAV of shares in these investments, range from immediate to quarterly, generally with forty-five to ninety days' notice. The alternative investment's strategies are described in Note 5.

Financial assets and liabilities carried at fair value at December 31, 2022, are classified in the table as follows:

	<u>Level 1</u>	<u>Total 2022</u>
INVESTMENTS AT FAIR VALUE:		
Investments:		
Money market funds	\$ 2,211,354	\$ 2,211,354
Fixed income securities:		
Mutual funds	15,127,574	15,127,574
Mutual funds:		
U.S. large cap	11,414,838	11,414,838
Non U.S. equities	<u>6,160,643</u>	<u>6,160,643</u>
	<u>34,914,409</u>	<u>34,914,409</u>
Alternative investments using NAV as a practical expedient:		
Limited Partnerships	-	43,884,277
Hedge Funds	-	2,959,988
Other Investments	<u>-</u>	<u>9,080,271</u>
TOTAL INVESTMENTS AT FAIR VALUE	<u>\$ 34,914,409</u>	<u>\$ 90,838,945</u>

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value at December 31, 2021, are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2021</u>
INVESTMENTS AT FAIR VALUE:			
Level 1 and 2 Investments:			
Money market funds	\$ 1,387,238	\$ -	\$ 1,387,238
Fixed income securities:			
Mutual funds	21,762,984	-	21,762,984
Mutual funds:			
U.S. large cap	15,663,400	-	15,663,400
Non U.S. equities	9,115,513	-	9,115,513
Alternative investments:			
Hedge Funds	-	3,454,013	3,454,013
	<u>47,929,135</u>	<u>3,454,013</u>	<u>51,383,148</u>
Alternative investments using NAV as a practical expedient:			
Limited Partnerships	-	-	52,383,425
Hedge Funds	-	-	3,032,736
Other Investments	-	-	4,991,565
	<u>47,929,135</u>	<u>3,454,013</u>	<u>111,790,874</u>
TOTAL INVESTMENTS AT FAIR VALUE	<u>\$ 47,929,135</u>	<u>\$ 3,454,013</u>	<u>\$ 111,790,874</u>

Excluded from the fair value measurements above is cash totaling \$534,339 and \$408,771 as of December 31, 2022 and 2021, respectively, which is included in investments on the accompanying statements of financial position. See Note 5.

In addition, restricted cash and mutual funds which are classified as Level 1, amounting to \$700,796 and \$853,426 as of December 31, 2022 and 2021, respectively, are included in investments held for pension and deferred compensation plans on the accompanying statements of financial position. See Note 5.

Investments in money market funds, fixed income securities and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The NAVs of mutual funds are based on the quoted market-level prices of the underlying securities. Hedge funds and other alternative investments are designated using NAV a practical expedient as indicative of the investment manager's classification of the Organization's investment in the alternative investments. It is not meant to be indicative of the classification of the investments in the underlying portfolio of the alternative investments into the fair value hierarchy.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Land	\$ 6,038,784	\$ 6,038,784	
Building	48,183,575	48,183,575	30 years
Vehicle	167,218	167,218	3 years
Furniture, fixtures and equipment	19,155,237	18,089,465	3-10 years
Construction in progress	<u>437,155</u>	<u>-</u>	
Total cost	73,981,969	72,479,042	
Less: Accumulated depreciation	<u>(43,199,516)</u>	<u>(41,074,074)</u>	
Net book value	<u>\$ 30,782,453</u>	<u>\$ 31,404,968</u>	

Depreciation expense amounted to \$2,125,442 and \$2,127,549 for the years ended December 31, 2022 and 2021, respectively. The construction in progress is in the developmental phase and additional costs to complete cannot be estimated as of December 31, 2022. The project is expected to be completed during 2024.

NOTE 8 – PAYCHECK PROTECTION PROGRAM ADVANCE

In 2020, the Organization obtained a \$1,104,810 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved lender. The loan was uncollateralized and was fully guaranteed by the federal government. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization had initially recorded the loan as a refundable advance. In 2021, the Organization decided to pay back the full amount. The balance was paid in full by the Organization on July 20, 2021 and included interest in the amount of \$13,925.

NOTE 9 – BONDS PAYABLE, NET

In 2016, the Organization determined it would finance a portion of its Expansion Project. On May 30, 2017, the Organization closed on Bond issuances (the “Bonds”) from JP Morgan Chase Bank, N.A. for \$15,000,000, comprised of a \$5,000,000 variable rate portion based on the London Inter-bank Offered Rate (“LIBOR”) plus 0.694% and a \$10,000,000 2.9% fixed rate portion. The 2018 variable interest rate portion was 2.979%. During the year ended December 31, 2019, the variable interest rate portion of the 2016 issuance was repaid and the remaining deferred financing costs of \$15,084 were written off. The remaining Bond has a ten-year maturity, with interest and principal to be paid on a monthly basis, however, the Organization has the option to repay the Bond at any time. The current monthly principal payment is \$27,778 with the unpaid balance due at maturity on May 30, 2027.

As financial covenants to the Bonds issued, the Organization must maintain both a Debt Service Coverage ratio of at least 1:00 to 1:00 and Liquidity ratio of 2:00 to 1:00 over four consecutive quarterly periods. As of December 31, 2022, the Organization was in compliance with the Liquidity Ratio, however, was not in compliance with the Debt Service Coverage Ratio. The Organization has obtained a waiver of this requirement from JP Morgan Chase. As of December 31, 2021, such financial covenants were met.

The Bonds are collateralized by a pledge of the Organization’s property and equipment and other assets, both now and for the life of the Bond, to secure the prompt payment and performance of the secured obligation.

Bonds payable, net are comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Bond financing	\$ 8,138,888	\$ 8,472,222
Less: Deferred financing costs	<u>(17,243)</u>	<u>(21,756)</u>
Bonds payable	<u>\$ 8,121,645</u>	<u>\$ 8,450,466</u>

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 – BONDS PAYABLE, NET (Continued)

In connection with the Bonds payable, the Organization incurred financing costs in the amount of \$64,654, which are amortized over the life of the Bonds. Interest expense, related fees and amortization expense amounted to \$249,117 and \$272,682 for the years ended December 31, 2022 and 2021, respectively. Deferred financing costs consist of the following as of December 31:

	2022	2021
Deferred financing costs	\$ 30,175	\$ 30,175
Less: Accumulated amortization	(12,932)	(8,419)
Deferred financing costs	\$ 17,243	\$ 21,756

The principal payments subsequent to December 31, 2022, on long-term debt for each of the next five years and thereafter are as follows:

2023	\$ 333,333
2024	333,333
2025	333,333
2026	333,333
2027	6,805,556
	\$ 8,138,888

The remaining principal balance will be paid as a balloon payment when the bond matures on May 30, 2027.

NOTE 10 – PENSION AND RETIREMENT PLANS

The Organization maintains a Safe-Harbor 401(k) Profit-Sharing Plan and a 401(k) Profit-Sharing Plan with Mutual of America (the "401(k) Plans"). The Organization makes contributions, at the discretion of the Executive Committee of the Board of Directors, to the 401(k) Plans on a bi-weekly basis. The contribution for the years ended December 31, 2022 and 2021 for the 401(k) Plans was \$389,190 and \$317,915, respectively. Additionally, eligible employees were allowed to make tax-deferred contributions to the 401(k) Plans up to certain limits as identified in the Code. In 2020, the Board approved of the merger of the 401(k) Plan assets in the Self-Managed account held at Janney Montgomery Securities to those pension plan assets at Mutual of America, the current manager of the Ronald McDonald House of New York pension plan assets. The Plan at Janney Montgomery was effectively closed and the balance was liquidated in January 2021.

In November 2011, the Organization instituted a Deferred Compensation Plan (the "Plan") under Section 457(b) of the Code covering key employees. The deferred compensation liabilities amounted to \$700,796 and \$853,426 as of December 31, 2022 and 2021, respectively, and are included in investments held for pension and deferred compensation plans and accrued expenses in the accompanying statements of financial position. The Organization makes contributions to the Plan, at the discretion of the Executive Committee, on an annual basis.

In 2014, the Organization instituted a 403(b) Retirement Savings Plan for employee salary deferrals and a Deferred Compensation Plan under Section 457(f) of the Code covering key employees. As of December 31, 2022 and 2021, there were no employer contributions to the 403(b) Plan; only employee salary deferrals are contributed on a bi-weekly basis.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 – NET ASSETS

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Purpose restricted	\$ 387,204	\$ 1,158,479
Time restricted	141,125	247,352
Perpetual in nature	<u>948,958</u>	<u>1,085,838</u>
Total Net Assets with donor restrictions:	<u>\$ 1,477,287</u>	<u>\$ 2,491,669</u>

For the years ended December 31, 2022 and 2021, net assets with donor restrictions in the amounts of \$1,173,627 and \$262,760 were released by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

The Organization has net assets of \$1,103,915 originating in 1994 as two gifts of donated securities with donor stipulation that the value of the gifts be maintained intact in perpetuity. All income from these securities is restricted until appropriated for spending by the Board. Income is restricted for the purchase of supplies and gifts for children served by the Organization.

The Board of Directors recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaces prior law, which was the Uniform Management of Institutional Funds Act (“UMIFA”).

In addition, the Board recognizes that NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year.

The Organization’s investment strategy is to provide sufficient earnings in the form of a total return from both income and capital appreciations. The investments are managed so that over a reasonable period of time, the total return will exceed the sum of the percentage of distributions plus inflation and other investment expenses.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not, as without donor restrictions. Following September 17, 2010, the Board (or a designated committee of the Board) will determine (quarterly, using a rolling five-year average) how much of the earnings of such funds restricted in perpetuity shall be appropriated for expenditure up to 7%, as deemed prudent at the time. Any unappropriated earnings that would otherwise be considered without donor restrictions will be reflected as with donor restrictions until appropriated.

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	<u>Without Donor Restrictions (Board Designated)</u>	<u>With Donor Restrictions</u>	<u>Total Endowments</u>
Investment activity:			
Interest and dividends	\$ 241,667	\$ 23,769	\$ 265,436
Unrealized loss on investments	<u>(7,521,601)</u>	<u>(160,649)</u>	<u>(7,682,250)</u>
Total investment activity	<u>(7,279,934)</u>	<u>(136,880)</u>	<u>(7,416,814)</u>
Transfer from operations	7,279,934	-	7,279,934
Endowment net assets, beginning of year	<u>40,700,000</u>	<u>1,085,838</u>	<u>41,785,838</u>
Endowment net assets, end of year	<u>\$ 40,700,000</u>	<u>\$ 948,958</u>	<u>\$ 41,648,958</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – NET ASSETS (Continued)

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions <u>(Board Designated)</u>	With Donor Restrictions	Total <u>Endowments</u>
Investment activity:			
Interest and dividends	\$ 108,962	\$ 20,099	\$ 129,061
Unrealized gain (loss) on investments	<u>2,721,671</u>	<u>(38,176)</u>	<u>2,683,495</u>
Total investment activity	<u>2,830,633</u>	<u>(18,077)</u>	<u>2,812,556</u>
Transfer from Operations	39,057,135	-	39,057,135
Amount transferred to Operations	(2,830,633)	-	(2,830,633)
Endowment net assets, beginning of year	<u>1,642,865</u>	<u>1,103,915</u>	<u>2,746,780</u>
Endowment net assets, end of year	<u>\$ 40,700,000</u>	<u>\$ 1,085,838</u>	<u>\$ 41,785,838</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. The deficiency for the years ended December 31, 2022 and 2021, resulted from unfavorable market fluctuations that occurred in the economy as a whole, whereby the fair value of the donor-restricted endowment fund was below the amount that is required to be retained permanently, by \$154,957 and \$18,077, respectively.

As of December 31, 2022 and 2021, total endowment net assets of \$41,648,958 and \$41,785,838, respectively, are included with investments in the accompanying statements of financial position.

NOTE 12 – ALLOCATION OF JOINT COSTS

The Organization conducted direct mail campaigns that included requests for contributions, as well as program components. During the years ended December 31, 2022 and 2021, the Organization incurred joint costs of \$1,188,258 and \$1,246,449, respectively, for informational materials and activities that were included in fundraising appeals. During the year ended December 31, 2022, \$374,622 was allocated to program expenses and \$813,636 was allocated to fundraising. During the year ended December 31, 2021, \$212,986 was allocated to program expenses and \$1,033,463 was allocated to fundraising.

NOTE 13 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2022 and 2021, there was approximately \$988,000 and \$1,300,000, respectively, of cash and cash equivalents held by three banks that exceeded FDIC limits. Such excess includes outstanding checks. Securities Investor Protection Corporation (“SIPC”) insurance limits are up to \$500,000. As of December 31, 2022 and 2021, there were no cash and cash equivalents held by financial institutions that exceeded the amount covered by the SIPC limits.

NOTE 14 – CONTINGENCY

Uncertain Tax Positions

The Organization believes it had no uncertain tax positions as of December 31, 2022 and 2021 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through July 17, 2023, the date the financial statements were available to be issued.