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Ronald McDonald House Charities of Central Florida, Inc.

Financial Statements

For The Years Ended December 31, 2023 and 2022



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REPORT OF INDEPENDENT AUDITOR

The Board of Directors and Management
Ronald McDonald House Charities of Central Florida, Inc.
Orlando, Florida

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Florida, Inc. (“the Organization”), which consist of the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses 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 Central Florida, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- Identify and assess the risk 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 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 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.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
May 14, 2024

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 2,727,402	\$ 2,722,078
Investments	961,115	610,774
Other assets	668,837	633,405
Property and equipment, net	11,052,759	11,430,558
Promised use of contributed land	390,054	406,880
Total assets	\$ 15,800,167	\$ 15,803,695
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 178,819	\$ 237,779
Total liabilities	178,819	237,779
NET ASSETS		
Without donor restrictions		
Undesignated	3,930,994	3,503,143
Designated for the J. Darrell Kelley quasi-endowment fund	26,465	23,835
Designated for the Steven and Linda Weisz quasi-endowment fund	100,000	—
Investment in property and equipment	11,052,759	11,430,558
Total net assets without donor restrictions	15,110,218	14,957,536
With donor restrictions	511,130	608,380
Total net assets	15,621,348	15,565,916
Total liabilities and net assets	\$ 15,800,167	\$ 15,803,695

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2023			For The Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS						
Contributions	\$ 2,740,116	\$ 133,612	\$ 2,873,728	\$ 2,555,898	\$ 290,916	\$ 2,846,814
Special events revenue	914,006	—	914,006	840,747	—	840,747
Noncash contributions	362,148	—	362,148	288,307	—	288,307
Auxiliary and other activities	202,110	—	202,110	218,150	—	218,150
Net assets released from restrictions	<u>230,862</u>	<u>(230,862)</u>	<u>—</u>	<u>162,819</u>	<u>(162,819)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>4,449,242</u>	<u>(97,250)</u>	<u>4,351,992</u>	<u>4,065,921</u>	<u>128,097</u>	<u>4,194,018</u>
EXPENSES						
Program activities						
House operations	<u>3,405,939</u>	<u>—</u>	<u>3,405,939</u>	<u>3,092,549</u>	<u>—</u>	<u>3,092,549</u>
Total program activities	<u>3,405,939</u>	<u>—</u>	<u>3,405,939</u>	<u>3,092,549</u>	<u>—</u>	<u>3,092,549</u>
Supporting activities						
Fundraising	438,837	—	438,837	393,139	—	393,139
Cost of direct benefits to donors	252,288	—	252,288	180,753	—	180,753
General and administrative	<u>199,496</u>	<u>—</u>	<u>199,496</u>	<u>201,317</u>	<u>—</u>	<u>201,317</u>
Total supporting activities	<u>890,621</u>	<u>—</u>	<u>890,621</u>	<u>775,209</u>	<u>—</u>	<u>775,209</u>
Total expenses	<u>4,296,560</u>	<u>—</u>	<u>4,296,560</u>	<u>3,867,758</u>	<u>—</u>	<u>3,867,758</u>
CHANGE IN NET ASSETS	152,682	(97,250)	55,432	198,163	128,097	326,260
NET ASSETS - Beginning of year	<u>14,957,536</u>	<u>608,380</u>	<u>15,565,916</u>	<u>14,759,373</u>	<u>480,283</u>	<u>15,239,656</u>
NET ASSETS - End of year	<u>\$ 15,110,218</u>	<u>\$ 511,130</u>	<u>\$ 15,621,348</u>	<u>\$ 14,957,536</u>	<u>\$ 608,380</u>	<u>\$ 15,565,916</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	December 31,	
	2023	2022
OPERATING CASH FLOWS		
Cash received from contributions	\$ 2,753,236	\$ 2,790,398
Cash received from special events	914,006	840,747
Cash received from auxiliary and other activities	55,422	106,902
Cash paid for operating activities and costs	(3,440,295)	(2,954,867)
Net operating cash flows	282,369	783,180
INVESTING CASH FLOWS		
Net purchases of investments	(239,085)	(79,346)
Net purchases of and improvements to property and equipment	(158,452)	(164,838)
Net release of assets restricted for long-term purposes	—	4,064
Net investing cash flows	(397,537)	(240,120)
FINANCING CASH FLOWS		
Contributions restricted for long-term purposes	120,492	56,416
Net financing cash flows	120,492	56,416
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,324	599,476
CASH AND CASH EQUIVALENTS - Beginning of year	2,722,078	2,122,602
CASH AND CASH EQUIVALENTS - End of year	\$ 2,727,402	\$ 2,722,078
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 55,432	\$ 326,260
Adjustments to reconcile change in net assets to net operating cash flows		
Net (gain) loss on investments	(111,256)	104,865
Contributions restricted for long-term purposes	(120,492)	(56,416)
Depreciation	536,251	544,274
Change in other assets	(35,432)	(216,113)
Change in promised use of contributed land	16,826	17,338
Change in accounts payable and accrued expenses	(58,960)	62,972
Net operating cash flows	\$ 282,369	\$ 783,180

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2023

	Program activities		Supporting activities			Total expenses
	House operations	Fundraising	Cost of direct benefits to donors	General and administrative	Total supporting activities	
Salaries, wages, and payroll taxes	\$ 1,447,996	\$ 280,616	\$ —	\$ 114,451	\$ 395,067	\$ 1,843,063
Depreciation	536,251	—	—	—	—	536,251
House supplies	288,066	—	—	—	—	288,066
Cost of direct benefits to donors	—	—	252,288	—	252,288	252,288
Printing and publishing	227,716	6,557	—	—	6,557	234,273
Repairs and maintenance	205,879	—	—	—	—	205,879
Utilities	203,250	—	—	—	—	203,250
Office space	101,037	25,904	—	7,884	33,788	134,825
Cleaning service and supplies	110,610	—	—	—	—	110,610
Insurance	83,811	—	—	—	—	83,811
Miscellaneous	4,021	69,697	—	—	69,697	73,718
Professional fees and contract services	26,946	11,027	—	25,007	36,034	62,980
Telephone	44,950	—	—	2,366	2,366	47,316
Other house and room management - other supplies	37,480	—	—	—	—	37,480
Meetings, trainings, and seminars	23,982	—	—	10,278	10,278	34,260
Travel	11,357	11,357	—	11,357	22,714	34,071
Donor recognition and communications	—	21,510	—	—	21,510	21,510
Bank charges and credit card fees	—	—	—	20,750	20,750	20,750
Auto expense	15,547	—	—	—	—	15,547
Linens and laundry	15,000	—	—	—	—	15,000
Dues and subscriptions	10,744	—	—	—	—	10,744
Public relations	1,103	7,240	—	—	7,240	8,343
Marketing supplies	—	—	—	5,835	5,835	5,835
Volunteers	5,795	—	—	—	—	5,795
Postage	235	4,929	—	—	4,929	5,164
Taxes and licenses	3,468	—	—	1,568	1,568	5,036
House programs	695	—	—	—	—	695
Total	\$ 3,405,939	\$ 438,837	\$ 252,288	\$ 199,496	\$ 890,621	\$ 4,296,560

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2022

	Program activities	Supporting activities				Total expenses
	House operations	Fundraising	Cost of direct benefits to donors	General and administrative	Total supporting activities	
Salaries, wages, and payroll taxes	\$ 1,324,244	\$ 250,587	\$ —	\$ 125,484	\$ 376,071	\$ 1,700,315
Depreciation	544,274	—	—	—	—	544,274
House supplies	235,322	—	—	—	—	235,322
Repairs and maintenance	186,606	—	—	—	—	186,606
Printing and publishing	168,710	13,366	—	—	13,366	182,076
Cost of direct benefits to donors	—	—	180,753	—	180,753	180,753
Utilities	158,162	—	—	—	—	158,162
Office space	104,468	27,031	—	8,227	35,258	139,726
Professional fees and contract services	48,931	17,465	—	29,328	46,793	95,724
Miscellaneous	34,878	52,015	—	—	52,015	86,893
Insurance	78,507	—	—	—	—	78,507
Cleaning service and supplies	59,669	—	—	—	—	59,669
Telephone	41,023	—	—	2,159	2,159	43,182
House programs	27,733	—	—	—	—	27,733
Other house and room management - other supplies	22,969	—	—	—	—	22,969
Bank charges and credit card fees	—	—	—	18,213	18,213	18,213
Travel	6,054	6,054	—	6,054	12,108	18,162
Linens and laundry	15,003	—	—	—	—	15,003
Public relations	4,054	9,940	—	—	9,940	13,994
Meetings, trainings, and seminars	9,226	—	—	3,954	3,954	13,180
Donor recognition and communications	—	11,856	—	—	11,856	11,856
Auto expense	11,033	—	—	—	—	11,033
Volunteers	6,712	—	—	—	—	6,712
Marketing supplies	—	—	—	6,527	6,527	6,527
Postage	103	4,825	—	—	4,825	4,928
Taxes and licenses	3,318	—	—	1,371	1,371	4,689
Dues and subscriptions	1,550	—	—	—	—	1,550
Total	\$ 3,092,549	\$ 393,139	\$ 180,753	\$ 201,317	\$ 775,209	\$ 3,867,758

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Ronald McDonald House Charities of Central Florida, Inc. (“the Organization”) is a Florida not-for-profit corporation. The purpose of the Organization is to create, find, and support programs that directly improve the health and well-being of children and families. The Organization’s primary activity is the operation of three Ronald McDonald Houses (“the Houses”) in the Central Florida area. The Houses have a combined 84 bedrooms, which are used to provide temporary lodging to families of seriously ill children being treated at AdventHealth for Children, Arnold Palmer Medical Center, and Nemours Children’s Hospital.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments consist of exchange-traded funds, which are carried at estimated fair value. Estimated fair value is determined based on quoted market prices. Accordingly, investments are considered to be valued using Level 1 inputs for fair value measurement purposes.

Property and equipment

Property and equipment is stated at original cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the expected useful lives of the related assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. The J. Darrell Kelley quasi-endowment funds and the Steven and Linda Weisz quasi-endowment fund are funds established by the Board of Directors, and the earnings of the funds are to be used to support the ongoing operations of the Organization. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Noncash contributions

The Organization receives donations of various supplies for use in house operations as well as other facilities and professional services in support of its various program activities. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to families or as assets depending on the nature of the donation. Noncash professional services are recognized at their estimated fair value as the services are performed. In general, management estimates the fair value of donated supplies and services using fair market value determined by online pricing sources. Noncash contributions are not monetized and all noncash contributions are considered without donor restrictions.

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated useful lives of property and equipment and the estimated fair value of investments, the promised use of contributed land, and noncash contributions. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure of subsequent events through the date of the report of independent auditor, the date as of which the financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,727,402	\$ 2,722,078
Investments	<u>961,115</u>	<u>610,774</u>
Total financial assets available	3,688,517	3,332,852
Less amounts unavailable for general expenditure within one year:	<u>—</u>	<u>—</u>
Net financial assets available within one year	<u>\$ 3,688,517</u>	<u>\$ 3,332,852</u>

The Organization is primarily supported by contributions. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management of the Organization believes the Organization has sufficient investments available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need.

NOTE D – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	December 31,	
	2023	2022
Land	\$ 394,013	\$ 394,013
Buildings and building improvements	15,885,458	15,822,249
Furniture, fixtures, and equipment	1,950,496	1,823,917
Vehicles	60,452	60,452
Construction in progress	—	31,336
Total property and equipment	18,290,419	18,131,967
Less: Accumulated depreciation	(7,237,660)	(6,701,409)
Net property and equipment	<u>\$ 11,052,759</u>	<u>\$ 11,430,558</u>

Depreciation expense amounted to \$536,251 and \$544,274 during 2023 and 2022, respectively. The Organization’s land is subject to certain restrictive covenants limiting the use of the properties as Ronald McDonald House locations.

NOTE F – PROMISED USE OF CONTRIBUTED LAND

During a prior year, the Organization entered into a lease agreement with The Nemours Foundation (an unrelated Florida not-for-profit organization) to lease certain real property at the Nemours Children’s Hospital in Orlando, Florida for a term of 50 years. The lease expires in September 2064. The lease agreement requires nominal rent of \$10 a year, which was paid in full in a prior year. The lease requires the Organization to use the property to construct and operate a Ronald McDonald House (“the House”). The Organization completed the construction of the House on the property in a prior year and uses the property for the operation of the House. The estimated fair value of the lease agreement (discounted for present value) was recognized as a contribution at the inception of the lease agreement.

The estimated fair value of the leased property at December 31, 2023 and 2022 is \$390,054 and \$406,880, respectively, and is included in “promised use of contributed land” in the accompanying statements of financial position. The estimated fair value of rent annually recognized by the Organization from this agreement amounted to approximately \$22,200 during both 2023 and 2022.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were subject to donor restrictions for the following purposes during 2023:

	Balance January 1	Contributions	Releases	Balance December 31
Promised use of contributed land	\$ 406,880	\$ —	\$ (16,826)	\$ 390,054
Pledges receivable for operations	201,500	8,000	(93,544)	115,956
Pledges receivable for capital projects	—	5,120	—	5,120
Capital projects	—	120,492	(120,492)	—
Total	<u>\$ 608,380</u>	<u>\$ 133,612</u>	<u>\$ (230,862)</u>	<u>\$ 511,130</u>

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were subject to donor restrictions for the following purposes during 2022:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Promised use of contributed land	\$ 424,219	\$ —	\$ (17,339)	\$ 406,880
Pledges receivable for operations	52,000	232,500	(83,000)	201,500
Pledges receivable for capital projects	4,064	—	(4,064)	—
Capital projects	—	56,416	(56,416)	—
Other	—	2,000	(2,000)	—
Total	<u>\$ 480,283</u>	<u>\$ 290,916</u>	<u>\$ (162,819)</u>	<u>\$ 608,380</u>

NOTE H – NONCASH CONTRIBUTIONS

Noncash contributions recognized in the accompanying statements of activities included:

<u>Category</u>	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Supplies for house operations	\$ 242,932	\$ 153,971
Utilities and facilities operations	94,316	94,862
Professional services	<u>24,900</u>	<u>39,474</u>
Total noncash contributions	<u>\$ 362,148</u>	<u>\$ 288,307</u>

NOTE I – RETIREMENT PLAN

The Organization maintains a 403(b) retirement plan (“the Plan”) in which employees are eligible to participate upon meeting the eligibility requirements as described in the Plan document. Eligible employees may make tax-deferred contributions to the Plan. The Plan allows for the Organization to make discretionary contributions. The Organization made contributions to the Plan of approximately \$39,000 and \$29,000 during 2023 and 2022, respectively.