

FINANCIAL REPORT
RONALD MCDONALD HOUSE CHARITIES
OF SOUTH LOUISIANA, INC.
DECEMBER 31, 2022

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.

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October 5, 2023

To the Board of Directors
Ronald McDonald House Charities
of South Louisiana, Inc.
New Orleans, Louisiana

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of South Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 South Louisiana, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of South Louisiana, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of 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 South Louisiana, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, of the override of internal control. Misstatements, including omissions, 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 South Louisiana, 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 South Louisiana, 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.

Duplantier, Hopmann, Hogan & Porter LLP
New Orleans, Louisiana

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 7,282,193
Investments	954,486
Accounts receivable	147,897
Unconditional promises to give, net	100,179
Other assets	230
Total current assets	8,484,985

PROPERTY AND EQUIPMENT, NET	3,571,752
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OTHER ASSETS

Unconditional promises to give, net	1,001,923
Total other assets	1,001,923

TOTAL ASSETS	\$ 13,058,660
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 135,055
Current portion of note payable	250,000
Total current liabilities	385,055

LONG-TERM DEBT	2,250,000
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TOTAL LIABILITIES	2,635,055
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NET ASSETS:

Without donor restrictions:	
Undesignated	2,608,030
Designated:	
Property and equipment	1,071,753
Program expansion	3,000,000
House operations	1,350,000
Total net assets - without donor restrictions	8,029,783
With donor restrictions:	
Endowment fund	2,393,822
Total net assets	10,423,605

TOTAL LIABILITIES AND NET ASSETS	\$ 13,058,660
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See accompanying independent auditor's report and notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 781,140	\$ -	\$ 781,140
Fundraising events	1,805,559	-	1,805,559
Interest and dividends	147,454	-	147,454
Unrealized and realized loss on investments	(607,050)	(103,678)	(710,728)
Gain on sale of assets	1,242,592	-	1,242,592
Miscellaneous income	16,078	-	16,078
In-kind contributions	59,633	-	59,633
	<hr/>	<hr/>	<hr/>
Total revenues and other support	3,445,406	(103,678)	3,341,728
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Program services	613,389	-	613,389
Supporting services:			
Management and general	219,721	-	219,721
Fundraising	428,709	-	428,709
Total expenses	1,261,819	-	1,261,819
	<hr/>	<hr/>	<hr/>
Change in net assets	2,183,587	(103,678)	2,079,909
Net assets - beginning of year	5,846,196	2,497,500	8,343,696
	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 8,029,783	\$ 2,393,822	\$ 10,423,605
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See accompanying independent auditor's report and notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program <u>Services</u>	Supporting services		<u>Total</u>
		<u>Management and general</u>	<u>Fundraising</u>	
Advertising	\$ -	\$ 1,949	\$ -	\$ 1,949
Bank charges	-	2,339	-	2,339
Capital Campaign	461	-	42,634	43,095
Computer/IT	20,140	16,141	6,013	42,294
Depreciation	37,697	930	1,820	40,447
Family room	5,239	848	-	6,087
Family support	42,553	-	-	42,553
Fundraising	-	-	113,607	113,607
Housekeeping	9,201	-	-	9,201
In-kind donations	59,633	-	-	59,633
Insurance	68,386	22,810	27,545	118,741
Legal and professional	82,847	7,500	52,777	143,124
Miscellaneous	1,009	7,600	1,245	9,854
Office	5,039	1,408	-	6,447
Payroll taxes	15,794	13,488	13,836	43,118
Postage and printing	2,617	-	-	2,617
Repairs and maintenance	40,380	-	-	40,380
Salaries	161,668	134,844	167,393	463,905
Supplies	12,364	-	-	12,364
Travel and seminars	3,887	7,606	-	11,493
Utilities and telephone	43,581	2,258	1,839	47,678
Van expenses	893	-	-	893
	<u>\$ 613,389</u>	<u>\$ 219,721</u>	<u>\$ 428,709</u>	<u>\$ 1,261,819</u>

See accompanying independent auditor's report and notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 2,079,909
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	40,447
Unrealized loss on investments	34,770
Realized loss on sale of investments	675,958
Realized gain on sale of assets	(1,242,592)
Changes in operating assets and liabilities:	
Increase in accounts receivable and other assets	(72,160)
Increase in promises to give	(1,102,102)
Increase in accounts payable and accrued liabilities	103,816
Net cash provided by operating activities	<u>518,046</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment and construction costs	(3,583,702)
Proceeds from sale of building	1,242,592
Proceeds from sales of investments	2,718,269
Purchase of investments	(989,256)
Net cash used by investing activities	<u>(612,097)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from note payable	3,000,000
Net cash provided by financing activities	<u>3,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,905,949
CASH AND CASH EQUIVALENTS - Beginning of year	<u>4,376,244</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 7,282,193</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>

See accompanying independent auditor's report and notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NATURE OF OPERATIONS

Ronald McDonald House Charities of South Louisiana, Inc. ("House") was created in 1983. It is a nonprofit organization which provides a "home-away-from-home" to families of seriously ill children and provides programs that give comfort, compassion, and care to children and their families.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Basis of Presentation:

U.S. GAAP requires the House to report information regarding its financial position and activities according to the following net assets classifications:

- Net assets without donor restrictions - net assets whose use by the House is not restricted by donors, even though their use may be limited in other respects, such as by board designation. There were Board designated net assets in the amount of \$5,421,753 at December 31, 2022.
- Net assets with donor restrictions - net assets whose use by the House has been limited by donors (a) to later periods of time or other specific dates, or (b) for specified purposes, relating to scholarships awarded to disabled individuals. There were net assets with donor restrictions in the amount of \$2,393,822 at December 31, 2022.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The House has adopted a policy to classify donor-restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments:

Investments are recorded at fair market value. The unrealized appreciation (depreciation) is included in the statement of activities. For contributed investments, fair value of the gift is determined by the market value at the date of donation.

Revenue Recognition:

Contributions consist of grants and gifts from individuals, corporations, foundations, and Ronald McDonald House Charities, Inc. Contributions received are measured at their fair value and recorded as increases in net assets without donor restrictions or donor-restricted net assets, depending on the existence and/or nature of any donor restrictions.

The House also hosts fundraising events. There are no restrictions from this support, and the funds are used for the House's primary activities and general operations.

Contributed Services:

The House records non-cash donations as contributions at their estimated fair values at the date of donation. The House recognizes donated services, if significant in amount, which create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions consisting of both time and resources for the year ended December 31, 2022 were \$59,633. In addition, a substantial number of volunteers have contributed significant amounts of their time in the House's program services. However, these volunteer services do not meet all of the applicable requirements of financial accounting standards necessary to be recorded in the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, which range as follows:

- Building and improvements 7-39 years
- Equipment 5-7 years
- Canister boxes 5 years
- Vehicles 5 years

Expenditures for major additions of property and equipment in excess of \$1,000 whose useful lives extend beyond a one-year period and betterments which naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Donated assets are recognized at their estimated fair values at the date of donation. Expenditures for maintenance and repairs are charged to expense as incurred.

Functional Expense Allocation:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries, payroll taxes, and office supplies, which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the House.

Net Assets With Donor Restrictions:

Revenue with donor restrictions and net assets with donor restrictions are primarily composed of proceeds from the sale of donated stock and the remaining shares of the donated stock, which both had donor restrictions. The donor specifically stipulated that only the dividends and earnings received from the investment may be used to fund operations and was setup as a perpetual endowment.

Income Taxes:

The House is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes: (Continued)

FASB Accounting Standards Codification 740 (ASC 740) requires that a tax position be recognized or derecognized based on a “more than not” threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The House has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the criteria under ASC 740.

The House’s forms 990 for 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Advertising:

The House expenses advertising costs when incurred. Advertising expense for the year ended December 31, 2022 was \$1,949.

Accounts Receivable:

Accounts receivable consists of amounts due from the federal government and a related party, Ronald McDonald House Charities, Inc. The House considers the collectability of each account individually. Management believes all accounts receivable are collectible and therefore there is no allowance for doubtful accounts.

Unconditional Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value. The discounts on those amounts are computed using a discount rate applicable to the year in which the promise to give is received. Subsequent amortization of the discount is included in contribution revenue.

2. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31, 2022:

Building and improvements	\$ 3,100,000
Equipment and appliances	483,702
	<u>3,583,702</u>
Acumulated depreciation	(11,950)
Property and equipment, net	<u><u>\$ 3,571,752</u></u>

Depreciation expense for the year ended December 31, 2022 was \$40,447.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. CONCENTRATIONS:

Financial instruments which potentially subject the House to concentrations of credit risk include cash and investments. The House maintains its cash in bank deposit accounts which typically exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022, the House's cash exceeded the FDIC insurance by \$91,680. These balances are protected up to a limit of \$250,000 at each individual bank.

Money market funds in the amount of \$6,523,952 are not insured nor guaranteed by FDIC insurance. The Funds seek to maximize current income to the extent consistent with the preservation of capital and the maintenance of liquidity by investing exclusively in high quality money market instruments. The Fund only invests in U.S. government securities and repurchase agreements relating to such securities

The House receives substantially all of its income from grants, fundraising events, and donations from individuals and businesses located primarily in the New Orleans area. Any significant decrease in these donations could negatively impact the House's operations.

For the year ended December 31, 2022, three donors accounted for approximately 33% of donation revenues, which includes donations from individuals, corporations and fundraising events held by the House.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The House manages its liquidity by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that any long-term obligations will be discharged. As part of the House's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market accounts. The following table reflects the House's financial assets (cash and cash equivalents and investments) as of December 31, 2022, reduced by amounts not available for expenses within one year of the statement of financial position:

Financial assets:	
Cash and cash equivalents	\$ 7,282,193
Investments	954,486
Unconditional promises to give, net	100,179
Accounts receivable	147,897
Total financial assets	<u>8,484,755</u>
Less those unavailable for general expenses within one year, due to:	
Donor-restricted endowment fund	<u>(2,393,822)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 6,090,933</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. FAIR VALUE MEASUREMENTS:

U.S. GAAP defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is 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.

The fair value hierarchy is broken down into three levels of inputs that market participants would use in valuing the asset or liability, which can be summarized as follows:

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

Level 2: Quoted prices for similar assets or liabilities.

Level 3: Valuation based on inputs that are unobservable, therefore requiring management's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of assets measured on a recurring basis as of December 31, 2022 was as follows:

	Total Fair Value	Quoted Prices (Level 1)	Significant other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Equities	\$ 674,306	\$ 674,306	\$ -	\$ -
Fixed Income	280,180	280,180	-	-
Total Investments	<u>\$ 954,486</u>	<u>\$ 954,486</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income is composed of the following for the year ended December 31, 2022:

Interest and dividends	\$ 147,454
Net realized loss	(675,958)
Net unrealized loss	(34,770)
	<u>\$ (563,274)</u>

6. RELATED PARTIES:

Ronald McDonald House Charities, Inc. (RMHC Global) provides ongoing program grants to all of its Chapters around the world. These program grants are pre-authorized by the board of RMHC Global for the benefit of all Chapters. The grants are available to all Chapters that meet the program parameters; as such, the individual grants do not require any additional Board action. During the year ended December 31, 2022, the House received \$164,500 in grants from RMHC Global.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. RELATED PARTIES (Continued):

RHMC Global collects contributions through various programs on behalf of the Chapters around the world. During the year ended December 31, 2022, the House received \$378,187 from RMHC Global for contributions collected on their behalf.

7. ENDOWMENT FUND:

The House's endowment fund consists of McDonald's, Inc. stock and proceeds received from the sale of the stock. 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.

The Board of Directors of the House has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the House classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) 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. In accordance with SPMIFA, the House 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 House, and (7) the House's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The House has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that 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. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the House relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). From time to time, the House updates the investment policy to target a diversified asset allocation that can achieve its long-term objectives within prudent risk constraints.

During the year ended December 31, 2022, the restricted McDonald's stock was sold and the proceeds were put into the endowment fund.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. ENDOWMENT FUND (Continued):

Spending Policy. Only income earned from the fund may be used for House operations.

Endowment net asset composition by type of fund as of December 31, 2022 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 2,393,822	\$ 2,393,822
Total Funds	<u>\$ -</u>	<u>\$ 2,393,822</u>	<u>\$ 2,393,822</u>

Changes in endowment net assets as of December 31, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 2,497,500	\$ 2,497,500
Unrealized loss	-	(103,678)	(103,678)
Total Funds	<u>\$ -</u>	<u>\$ 2,393,822</u>	<u>\$ 2,393,822</u>

8. FUNDRAISING ACTIVITIES:

The House conducted fundraising activities as part of their program events. Fundraising activities included a golf tournament, and other fundraisers, including adopt a room and others put on by organizations where the House is the beneficiary. Total revenue for these fundraising activities was \$118,239 for the year ended December 31, 2022.

The House began a capital campaign during 2021 in order to raise funds to pay for the new house on the Children's Hospital New Orleans campus. Total revenue earned by the capital campaign was \$1,687,320 during the year ended December 31, 2022. Included in fundraising expenses at December 31, 2022 were \$43,095 of expenses directly related to the capital campaign.

9. PROMISES TO GIVE:

During the year ended December 31, 2021, the House waged a capital campaign to obtain funds for construction costs of the new building at Children's Hospital. The promises to give are recorded as receivables and revenue when received. The money received from these promises to

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. PROMISES TO GIVE: (Continued):

give will be used to assist with construction costs per the agreement with Children’s Hospital. Management has determined that the promises to give are fully collectable; therefore, no allowance was deemed necessary at December 31, 2022.

Unconditional promises to give at December 31, 2022 are as follows:

Unconditional promises to give	\$ 1,146,113
Less unamortized discount	<u>(43,911)</u>
Unconditional promises to give, net	<u>\$ 1,102,202</u>

The promises to give are due as follows:

Less than one year	\$ 100,179
One to five years	967,652
Five to ten years	<u>78,282</u>
Total unconditional promises to give	<u>\$ 1,146,113</u>

Promises to give with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate at December 31, 2022 was 3.99%. In subsequent years, amortization of the discount is reported in the Statement of Activities as contribution revenue.

As of December 31, 2022, approximately \$187,339 of the unconditional promises to give were due from board members. Total contributions from the board of directors were approximately \$447,700 for the year ended December 31, 2022.

10. NOTE PAYABLE:

In November 2020, the House entered into a lease agreement with Children’s Hospital for use of the newly renovated building which will serve as the House’s new location. The lease requires payments of \$1 a year for ninety-nine years. Payments are due on the first day of each lease year and can be paid in one lump sum at any time during the lease period.

As part of the lease agreement, the House signed an agreement with Children’s Hospital in which the House agrees to pay a share of the construction costs on the leased building. The total amount to be paid is the lesser amount of 50% of total costs or \$3,000,000. The House agreed to pay \$3,000,000 over seven installments. Per the terms of the agreement, if the final construction costs incurred are less than \$6,000,000, the House will receive a 50% credit of the difference between \$6,000,000 and the final cost expended on the project. The House made an initial payment of \$500,000 (due before commencement of the project) on December 2, 2021. The note is non-interest bearing, unless the House does not make an annual installment when due. At that point, interest will be charged at a rate of 12% or the highest rate allowed by law, whichever is less, from the date on which the installment is due, until paid in full. The note balance at December 31, 2022, was \$2,500,000.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. NOTE PAYABLE: (Continued)

Future payments on the note are as follows:

2023	\$	250,000
2024		250,000
2025		500,000
2026		500,000
2027		500,000
2028		500,000
	\$	<u>2,500,000</u>

11. DATE OF MANAGEMENT'S REVIEW:

Management has evaluated subsequent events through October 5, 2023, which is the date the financial statements were available to be issued, and determined that no events occurred that significantly affected the financial statements.