

**RONALD MCDONALD HOUSE
CHARITIES OF DENVER, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities of Denver, Inc.
Denver, Colorado

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Denver, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Denver, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Denver, 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.

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.

Prior Period Financial Statements

The financial statements of Ronald McDonald House Charities of Denver, Inc. as of December 31, 2023 were audited by other auditors whose report dated May 15, 2024 expressed an unmodified opinion on those statements.

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 Denver, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of Denver, 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 Denver, 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.

The Adams Group, LLC

Greenwood Village, Colorado
May 8, 2025

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,	2024	2023
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 420,075	\$ 286,412
Investments	15,110,535	12,618,124
Promises to give	338,412	382,387
Accounts receivable	132,854	160,658
Prepaid expenses	80,856	54,511
Total Current Assets	16,082,732	13,502,092
Noncurrent Assets		
Beneficial use of land, net	129,761	129,882
Investments held in perpetuity	546,250	546,250
Right-of-use operating lease, net	33,525	-
Property and equipment, net	17,483,342	18,372,443
Total Noncurrent Assets	18,192,878	19,048,575
Total Assets	<u>\$ 34,275,610</u>	<u>\$ 32,550,667</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 140,254	\$ 119,228
Accrued expenses	156,246	146,105
Current portion of lease liability	6,220	-
Total Current Liabilities	302,720	265,333
Noncurrent Liabilities		
Operating lease liability, net of current portion	27,305	-
Total Liabilities	330,025	265,333
Net Assets		
Without donor restriction		
Undesignated	32,744,259	31,582,452
Board designated	351,180	-
Total net assets without donor restriction	33,095,439	31,582,452
With donor restriction	850,146	702,882
Total net assets	33,945,585	32,285,334
Total Liabilities and Net Assets	<u>\$ 34,275,610</u>	<u>\$ 32,550,667</u>

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2024

	Without Donor Restriction	With Donor Restriction	Total
OPERATING ACTIVITIES			
<u>Support, revenue and other gains</u>			
Contributions	\$ 2,840,178	\$ 453,994	\$ 3,294,172
Third-party reimbursements	1,410,708	-	1,410,708
Special events, net	645,034	-	645,034
Contributed non-financial assets	753,973	-	753,973
Net assets released from restrictions	306,730	(306,730)	-
 Total support, revenue and other gains	 5,956,623	 147,264	 6,103,887
<u>Expenses</u>			
Program services	4,506,984		4,506,984
Supporting services			
General and administrative	588,727		588,727
Fundraising	791,349		791,349
Total supporting services	1,380,076		1,380,076
 Total expenses	 5,887,060		 5,887,060
 Changes in net assets from operating activities	 69,563	 147,264	 216,827
NON-OPERATING ACTIVITIES			
Investment income, net	1,495,246	-	1,495,246
Loss on disposal of fixed assets	(51,822)	-	(51,822)
 Changes in net assets from non-operating activities	 1,443,424	 -	 1,443,424
 Total change in net assets	 1,512,987	 147,264	 1,660,251
 Net assets - beginning of year	 31,582,452	 702,882	 32,285,334
 Net assets - end of year	 <u>\$ 33,095,439</u>	 <u>\$ 850,146</u>	 <u>\$ 33,945,585</u>

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2023

	Without Donor Restriction	With Donor Restriction	Total
OPERATING ACTIVITIES			
<u>Support, revenue and other gains</u>			
Contributions	\$ 2,591,740	\$ 33,250	\$ 2,624,990
Third-party reimbursements	1,479,308	-	1,479,308
Special events, net	612,875	-	612,875
Contributed non-financial assets	791,040	-	791,040
Net assets released from restrictions	36,391	(36,391)	-
Total support, revenue and other gains	5,511,354	(3,141)	5,508,213
<u>Expenses</u>			
Program services	4,071,747		4,071,747
Supporting services			
General and administrative	468,785		468,785
Fundraising	591,859		591,859
Total supporting services	1,060,644		1,060,644
Total expenses	5,132,391		5,132,391
Changes in net assets from operating activities	378,963	(3,141)	375,822
NON-OPERATING ACTIVITIES			
Investment income, net	1,613,354	29,776	1,643,130
Total change in net assets	1,992,317	26,635	2,018,952
Net assets - beginning of year	29,590,135	676,247	30,266,382
Net assets - end of year	\$ 31,582,452	\$ 702,882	\$ 32,285,334

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2024

		Supporting Services			
	Program Services	General & Administrative	Fundraising	Total Supporting Services	Total Expense
Salaries	\$ 1,177,284	\$ 312,201	\$ 462,706	\$ 774,907	\$ 1,952,191
Payroll taxes	111,390	28,791	40,235	69,026	180,416
Benefits	168,146	19,550	51,037	70,587	238,733
Contract services	689,949	59,905	41,297	101,202	791,151
Advertising	400	-	29,173	29,173	29,573
Dues, subscriptions and licenses	16,381	4,620	17,508	22,128	38,509
Depreciation	931,554	25,454	1,123	26,577	958,131
Occupancy	482,935	11,466	3,868	15,334	498,269
Insurance	73,211	53,157	23,968	77,125	150,336
Supplies and printing	2,780	6,334	43,557	49,891	52,671
Event expenses	-	-	112,989	112,989	112,989
Volunteers and donors	15,952	-	11,733	11,733	27,685
Program expenses	132,875	-	-	-	132,875
Donated services	145,865	24,486	750	25,236	171,101
Donated food, supplies and activities	527,069	-	55,802	55,802	582,871
Other	31,193	42,763	46,694	89,457	120,650
	<u>4,506,984</u>	<u>588,727</u>	<u>942,440</u>	<u>1,531,167</u>	<u>6,038,151</u>
Less: event expenses netted with revenues	<u>-</u>	<u>-</u>	<u>(151,091)</u>	<u>(151,091)</u>	<u>(151,091)</u>
Total Expenses	<u>\$ 4,506,984</u>	<u>\$ 588,727</u>	<u>\$ 791,349</u>	<u>\$ 1,380,076</u>	<u>\$ 5,887,060</u>

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2023

		Supporting Services			
	Program Services	General & Administrative	Fundraising	Total Supporting Services	Total Expense
Salaries	\$ 997,507	\$ 225,238	\$ 314,348	\$ 539,586	\$ 1,537,093
Payroll taxes	79,414	32,426	27,272	59,698	139,112
Benefits	128,071	14,815	42,671	57,486	185,557
Contract services	495,244	52,520	31,441	83,961	579,205
Advertising	-	-	18,940	18,940	18,940
Dues, subscriptions and licenses	14,116	13,417	39,860	53,277	67,393
Depreciation	797,893	17,940	2,456	20,396	818,289
Occupancy	6,615	-	-	-	6,615
Utilities	201,426	15,395	3,849	19,244	220,670
Insurance	67,526	49,337	22,294	71,631	139,157
Supplies and printing	122,421	3,043	28,206	31,249	153,670
Repairs and maintenance	206,315	-	-	-	206,315
Event expenses	-	-	80,757	80,757	80,757
Telephone and postage	30,473	1,276	11,140	12,416	42,889
Volunteers and donors	59,895	-	1,763	1,763	61,658
Donated food, supplies and activities	321,033	-	-	-	321,033
Donated services	428,734	5,126	1,507	6,633	435,367
Other	115,064	38,252	46,112	84,364	199,428
	4,071,747	468,785	672,616	1,141,401	5,213,148
Less: event expenses grouped with revenues	-	-	(80,757)	(80,757)	(80,757)
Total Expenses	\$ 4,071,747	\$ 468,785	\$ 591,859	\$ 1,060,644	\$ 5,132,391

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ 1,660,251	\$ 2,018,952
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	958,131	818,289
Net investment income	(1,495,246)	(1,690,892)
Net discount amortization	121	115
Loss on disposal of fixed assets	51,822	-
Changes in operating assets and liabilities:		
Promises to give	43,975	(24,929)
Accounts receivable	27,804	(61,630)
Prepaid expenses	(26,345)	(54,511)
Right-of-use operating lease	425	-
Accounts payable	21,026	12,151
Accrued expenses	10,141	-
Operating lease liability	(425)	-
Net cash provided by operating activities	<u>1,251,680</u>	<u>1,017,545</u>
Cash flows from investing activities:		
Purchase of property and equipment	(120,852)	(431,789)
Sale of investments	1,110,261	2,249,798
Purchase of investments	<u>(2,107,426)</u>	<u>(2,988,023)</u>
Net cash used in investing activities	<u>(1,118,017)</u>	<u>(1,170,014)</u>
Net increase (decrease) in cash and cash equivalents	133,663	(152,469)
Cash and cash equivalents at beginning of year	<u>286,412</u>	<u>438,881</u>
Cash and cash equivalents at end of year	<u><u>\$ 420,075</u></u>	<u><u>\$ 286,412</u></u>
Supplemental cash flow information:		
Right-of-use asset obtained with lease liability	<u><u>\$ 33,950</u></u>	<u><u>\$ -</u></u>

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Denver, Inc. (the “Organization”) is a not-for-profit corporation established to operate facilities (Ronald McDonald Houses) in Denver and Aurora, Colorado. Ronald McDonald Houses provide temporary housing for the families of seriously ill children while their children receive treatment at nearby hospitals.

The Organization’s Ronald McDonald Family Room program offers families a place to rest and regroup while their children receive treatment. Services at the Ronald McDonald Family Room include a kitchen area, shower facilities, laundry facilities, internet access, a seating area and a quiet room.

The Organization’s activities are supported primarily through contributions, special events and third-party reimbursements.

Basis of Presentation

The Organization prepares its financial statements in accordance with the financial reporting requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification topic, *Not-for-Profit Entities - Presentation of Financial Statements*. Those standards require the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets be displayed in the statement of activities, expenses and other changes in net assets as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations, including resources that the Board of Directors of the Organization has designated for specific purposes.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that are to be maintained by the Organization temporarily or in perpetuity and their related investment earnings. The related investment earnings are expendable only for purposes specified by the donor or grantor.

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 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.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and investments with original maturities of less than three months, excluding cash and cash equivalents held as part of the Organization's investment portfolio, are classified as cash and cash equivalents. At times, cash balances may exceed federally insured limits. The Organization is selective in choosing financial institutions to maintain accounts and believes any risk of loss is remote.

Investments

Investments are reported at fair value. Unrealized gains and losses are included in the statement of activities.

Promises to Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value, and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Accounts Receivables

Receivables are recorded at the amounts expected to be collected and relate to amounts due primarily from third-party reimbursement contracts. The allowance for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is estimated by management considering historical experience, current conditions, and, when appropriate, a reasonable and supportable forecast. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of December 31, 2024 and 2023, the Organization determined all account receivable balances to be fully collectible.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair value at the date of donation, if donated. The Organization capitalizes purchases of \$5,000 or more with a useful life longer than one year. Repairs and maintenance costs are charged to expense when incurred. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from 3 to 15 years.

The Organization evaluates long-lived assets for impairment. No impairment loss was recognized for the years ended December 31, 2024 and 2023.

Leases

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of twelve months or less (short-term leases) are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the accompanying statements of financial position. ROU assets represent the Organization’s right to use an underlying asset for the lease term, and lease liabilities represent the Organization’s obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date at the present value of lease payments over the lease term. The Organization generally uses the risk free rate for the discount rate to calculate the present value of lease payments.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

Revenue Recognition

Contributions

Contributions are recognized when cash is received, when ownership of donated assets is transferred, or when a verifiable unconditional promise to give is received. Sponsorships represent contributions as the value provided to sponsors is generally not commensurate with payments. Conditional contributions are recognized once the condition is substantially met.

Third-Party Reimbursements

Third-party reimbursements are primarily associated with Medicaid in which revenues are generally recognized when eligible expenses are incurred.

Special Events

The Organization hosts special events and generally collects funds in advance of the event. Funds received in advance are initially recorded as deferred revenue and recognized when the event occurs.

Contributions of Non-Financial Assets

The Organization receives contributions of non-financial assets, such as services, meals, and clothing. Contributions of goods or services are recorded at their estimated fair value at the time of receipt. Donated services are only recorded if the services create or enhance a nonfinancial asset or require specialized skills that the Organization would need to otherwise purchase. The Organization’s policy related to contributed non-financial assets is to utilize the assets given to carry out its mission. If an asset is provided that does not allow the Organization to utilize it in the normal course of business, the asset will be sold. The auction items donated were monetized and remaining contributed nonfinancial assets were utilized in operations during the years ended December 31, 2024 and 2023.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Non-Financial Assets (continued)

Contributed non-financial assets were as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Guest services	\$ 283,676	\$ 274,698
Services	171,101	160,669
Food inventory	55,636	19,589
Clothing and household goods	93,342	236,282
Books and publications	11,388	16,735
Toys and games	87,153	48,427
Auction items	<u>51,677</u>	<u>34,640</u>
Total contributed non-financial assets	<u>\$ 753,973</u>	<u>\$ 791,040</u>

Clothing, household goods, books and publications, toys and games, and food are valued using estimated retail prices of identical or similar products. Services are valued based on current rates for similar services. Auction items are valued at their estimated cost to purchase in an open market. Donated auction items are sold at auction in the year received.

Income Taxes

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

Advertising Costs

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated are done so primarily on the basis of personnel time and effort.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 8, 2025, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to prior year to conform with current year presentation.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of December 31, 2024 for general expenditure are as follows:

Cash and cash equivalents	\$ 420,075
Investments	15,656,785
Promises to give	338,412
Accounts receivable	<u>132,854</u>
	16,548,126
Less: Donor restricted net assets	(850,146)
Less: Board designated net assets	<u>(351,180)</u>
Available for general expenditure	<u>\$ 15,346,800</u>

As part of the Organization's liquidity management, they have a policy to structure its financial assets to be available as their general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The board has discretion to designate funds to be made available for use if necessary.

NOTE 3 – INVESTMENTS

Investments are valued at fair value using a hierarchy that prioritizes inputs used to measure fair value into three broad levels as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Observable inputs other than level 1, such as quoted prices for similar assets in active markets or yield curves.

Level 3: Unobservable inputs when little or no market data is available requiring significant management judgment or estimation.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 – INVESTMENTS (CONTINUED)

Investments are comprised of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Mutual funds - equity	\$ 9,236,206	\$ 4,518,165
Mutual funds - fixed income	4,972,727	7,462,170
Money market funds	1,241,864	1,034,975
Cash held for investment	<u>205,988</u>	<u>149,064</u>
Total investments	<u>\$ 15,656,785</u>	<u>\$ 13,164,374</u>

Cash equivalents and money market funds included in the investment portfolio are not subject to the fair value hierarchy and are valued at cost and net asset value, respectively. Remaining investment fair values are determined using Level 1 inputs.

NOTE 4 – BENEFICIAL USE OF LAND

In 2006, the Organization entered into an agreement whereby it obtained the right to use land for purposes of providing program services on the land. The initial term of the agreement was for a 99-year term that ends in 2105, with an aggregate annual base rent of \$1. The fair value of the agreement at inception was approximately \$655,000 which was recorded net of a discount. During the years ended December 31, 2024 and 2023, amortization of the discount to contribution revenue was \$6,494 and \$6,500. Amortization of the beneficial use of land to rent expense was \$6,615 for the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, the beneficial use of land is presented net of an unamortized discount of \$406,067 and \$412,561.

NOTE 5 – LEASES

The Organization leases office equipment under an operating lease which is comprised of the following:

	<u>2024</u>	<u>2023</u>
ROU operating assets	\$ 34,033	\$ -
Accumulated amortization	<u>(508)</u>	<u>-</u>
ROU operating assets, net	<u>\$ 33,525</u>	<u>\$ -</u>

The weighted average remaining term and discount rate was 4.92 years and 4.38% as of December 31, 2024. Lease expenses were not material for the years ended December 31, 2024 and 2023.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 – LEASES (CONTINUED)

Future lease payments are as follows for the years ending December 31:

2025	\$ 7,592
2026	7,592
2027	7,592
2028	7,592
2029	6,959
Total lease payments	<u>37,327</u>
Less: interest	<u>(3,802)</u>
Present value of lease liabilities	<u><u>\$ 33,525</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 167,000	\$ 167,000
Buildings and improvements	27,438,177	27,460,740
Furnishings and equipment	<u>1,045,583</u>	<u>953,991</u>
	28,650,760	28,581,731
Accumulated depreciation	<u>(11,167,418)</u>	<u>(10,209,288)</u>
Total property and equipment	<u><u>\$ 17,483,342</u></u>	<u><u>\$ 18,372,443</u></u>

Subsequent to December 31, 2024, the Organization entered into a construction contract for renovation of the Aurora location with an estimated total cost of approximately \$2,200,000. The renovation is expected to be completed by the end of 2025.

NOTE 7 – LINE OF CREDIT

The Organization has an available line of credit of \$670,000 that matures in August 2025. The line of credit carries on interest rate equal to prime less 1%, which was 6.50% as of December 31, 2024. The line of credit is collateralized by certain investment accounts held by the Organization. There was no outstanding balance on the line of credit as of December 31, 2024 and 2023.

NOTE 8 – NET ASSETS

During 2024, the board of directors designated certain funds for the expansion and renovation of the Aurora location.

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NOTE 8 – NET ASSETS (CONTINUED)

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

	<u>2024</u>	<u>2023</u>
Aurora land use	\$ 129,761	\$ 129,882
Coca-Cola vending subsidy	-	26,750
Meals	19,635	-
Aurora renovation	154,500	-
Endowment held in perpetuity	546,250	546,250
	<u>\$ 850,146</u>	<u>\$ 702,882</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or time restriction as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Time restriction expired	\$ 6,615	\$ 6,615
Coca-Cola vending subsidy	53,500	-
Meals	201,115	-
Aurora renovation	45,500	-
Purpose restriction accomplished	-	29,776
	<u>\$ 306,730</u>	<u>\$ 36,391</u>

NOTE 9 – ENDOWMENT

The Organization's net assets with donor restrictions include a donor restricted endowment fund established for the operating expenses of the Organization. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, issued by the Financial Accounting Standards Board. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

The Organization has interpreted UPMIFA 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 Organization classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment. (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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NOTE 9 – ENDOWMENT (CONTINUED)

The remaining portion of the donor restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Changes in endowment are as follows for the years ended December 31:

	<u>With Donor Restriction</u>	<u>Without Donor Restriction</u>	<u>Total</u>
Balance, December 31, 2022	\$ 546,250	\$ 547,249	\$ 1,093,499
Net investment income	-	19,848	19,848
Balance December 31, 2023	<u>546,250</u>	<u>567,097</u>	<u>1,113,347</u>
Contributions	-	65,000	65,000
Net investment income	<u>-</u>	<u>144,264</u>	<u>144,264</u>
Balance December 31, 2024	<u><u>\$ 546,250</u></u>	<u><u>\$ 776,361</u></u>	<u><u>\$ 1,322,611</u></u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At December 31, 2024 and 2023, there was no such deficiency.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments in income-producing instruments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves and fit within the Organization's preference of acceptable principal and interest risk.

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NOTE 9 – ENDOWMENT (CONTINUED)

Strategies for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a prudent amount for the operating expenses of the Organization. This policy applies to restricted and unrestricted funds unless those funds have their own distribution requirements. In establishing the distribution policy, the Organization considers the long-term expected return on its endowment.

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In determining the annual distribution to the Organization for operating expenses, the Board of Directors may make an exception to the distribution policy.

NOTE 10 – RELATED PARTY TRANSACTIONS

Ronald McDonald House of Charities Global (Global) collects canister collection and point-of-sale round-up funds from McDonald's operators and makes monthly remittances to Ronald McDonald House of Charities chapters, net of a 25% administrative fee and other collection fees. During the years ended December 31, 2024 and 2023, the Organization received \$460,099 and \$535,458 from Global related to this arrangement.

Global occasionally makes grants to the Organization. These amounts totaled \$200,000 and \$70,729 for the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, promises to give from Global were \$92,236 and \$0.

NOTE 11 – RETIREMENT PLAN

During 2023, all active employees were eligible to receive a savings incentive benefit equal to 5% of their year-to-date earnings, commencing in the seventh month of continuous employment. The Organization's contributions under this benefit totaled \$65,665 for the year ended December 31, 2023. The savings incentive plan was discontinued in 2024.

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NOTE 11 – RETIREMENT PLAN (CONTINUED)

On January 1, 2024, the Organization adopted a 401(k) profit sharing plan. Employees are eligible to participate in the plan after age 18 and completion of 6 months of service. The Organization may make matching and discretionary contributions to the plan. During the year ended December 31, 2024, the Organization made total contributions of \$71,374 to the plan.