

**RONALD MCDONALD HOUSE
CHARITIES OF CONNECTICUT AND
WESTERN MASSACHUSETTS, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.
FINANCIAL STATEMENTS**

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MeyersBrothersKalicka , P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House Charities of Connecticut and Western Massachusetts, Inc.

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Connecticut and Western Massachusetts, 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 Connecticut and Western Massachusetts, 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 Connecticut and Western Massachusetts, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Connecticut and Western Massachusetts, 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 Connecticut and Western Massachusetts, 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 Connecticut and Western Massachusetts, 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.

Myra Bertha Kolich, P.C.

Holyoke, Massachusetts
June 30, 2025

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,097,826	\$ 677,442
Accounts receivable	144,300	158,300
Contributions receivable, net	188,444	96,000
Other receivable - investment income from beneficial interest	35,518	-
Prepaid expenses	19,086	16,693
Investments, at fair value	6,351,073	8,332,797
Beneficial interest in assets held by others	1,460,435	1,373,048
Property and equipment, net	<u>10,728,356</u>	<u>10,893,868</u>
Total assets	<u>\$ 20,025,038</u>	<u>\$ 21,548,148</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 142,924	\$ 157,470
Note payable	<u>-</u>	<u>2,868,255</u>
Total liabilities	<u>142,924</u>	<u>3,025,725</u>
Net assets without donor restrictions	15,894,619	15,219,708
Net assets with donor restrictions	<u>3,987,495</u>	<u>3,302,715</u>
Total net assets	<u>19,882,114</u>	<u>18,522,423</u>
Total liabilities and net assets	<u>\$ 20,025,038</u>	<u>\$ 21,548,148</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions		
Support and revenue		
Contributions and donations	\$ 1,409,551	\$ 1,155,076
Special event contributions	603,532	664,879
Special event income	222,369	304,009
Grants	52,644	154,283
In-kind contributions (Note 12)	301,179	367,364
Rental income	398,200	398,200
Other income	17,460	9,684
Net assets released from restrictions	<u>272,316</u>	<u>30,066</u>
Total support and revenue	<u>3,277,251</u>	<u>3,083,561</u>
Expenses		
Program expenses	2,230,595	2,144,205
Management and general	311,132	331,842
Fundraising	<u>780,586</u>	<u>864,364</u>
Total expenses	<u>3,322,313</u>	<u>3,340,411</u>
Operating loss	(45,062)	(256,850)
Non-operating income - investment income, net	<u>719,972</u>	<u>921,978</u>
Change in net assets without donor restrictions	<u>674,910</u>	<u>665,128</u>
Net assets with donor restrictions		
Contributions and donations	740,641	170,987
Investment income, net	129,069	177,342
Net assets released from restrictions	(272,316)	(30,066)
Net increase in beneficial interest in a perpetual trust	<u>87,387</u>	<u>213,411</u>
Change in net assets with donor restrictions	<u>684,781</u>	<u>531,674</u>
Change in net assets	1,359,691	1,196,802
Net assets balance, beginning of year	<u>18,522,423</u>	<u>17,325,621</u>
Net assets balance, end of year	<u>\$ 19,882,114</u>	<u>\$ 18,522,423</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 1,065,077	\$ 121,801	\$ 418,371	\$ 1,605,249
Professional fees	-	148,260	-	148,260
Fundraising events	-	-	322,705	322,705
Repairs	154,108	5,129	-	159,237
Utilities	136,219	-	-	136,219
Other expenses	68,537	10,377	-	78,914
Miscellaneous program costs	21,275	-	-	21,275
House operation expenses	32,538	-	-	32,538
House food and supplies	149,744	-	-	149,744
Telephone	23,513	-	-	23,513
Volunteer recognition	9,662	-	-	9,662
Bank service charges	-	25,565	-	25,565
Depreciation	414,935	-	-	414,935
Interest	118,041	-	-	118,041
Conferences, meetings	23,958	-	-	23,958
Other campaign costs	<u>12,988</u>	<u>-</u>	<u>39,510</u>	<u>52,498</u>
Total expenses	<u>\$ 2,230,595</u>	<u>\$ 311,132</u>	<u>\$ 780,586</u>	<u>\$ 3,322,313</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 944,779	\$ 143,530	\$ 404,803	\$ 1,493,112
Professional fees	-	157,535	-	157,535
Fundraising events	-	-	404,324	404,324
Repairs	167,478	3,944	-	171,422
Utilities	117,370	-	-	117,370
Other expenses	57,197	8,513	-	65,710
Miscellaneous program costs	26,367	-	140	26,507
House operation expenses	34,841	4,691	-	39,532
House food and supplies	165,747	-	-	165,747
Telephone	25,063	-	-	25,063
Volunteer recognition	9,152	-	-	9,152
Bank service charges	-	8,418	17,564	25,982
Depreciation	420,156	-	-	420,156
Interest	143,460	-	-	143,460
Conferences, meetings	15,904	-	-	15,904
Other campaign costs	<u>16,691</u>	<u>5,211</u>	<u>37,533</u>	<u>59,435</u>
Total expenses	<u>\$ 2,144,205</u>	<u>\$ 331,842</u>	<u>\$ 864,364</u>	<u>\$ 3,340,411</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 1,359,691	\$ 1,196,802
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions restricted for acquisition of property and long-term investments	(740,641)	(170,987)
Depreciation expense	414,935	420,156
Realized and unrealized gain on investments	(670,698)	(921,473)
Changes in operating assets and liabilities:		
Accounts receivable	14,000	(2,650)
Other receivable - investment income - beneficial interest	(35,518)	57,609
Prepaid expenses	(2,393)	4,222
Accounts payable and accrued liabilities	<u>(14,546)</u>	<u>(17,722)</u>
Net cash provided by operating activities	<u>324,830</u>	<u>565,957</u>
Cash flows from investing activities		
Purchase of investments	(187,623)	(207,847)
Proceeds from sale of investments	2,840,045	30,000
Purchases of property and equipment	(249,423)	(361,839)
Change in beneficial interest in a perpetual trust	<u>(87,387)</u>	<u>(213,411)</u>
Net cash provided by (used in) investing activities	<u>2,315,612</u>	<u>(753,097)</u>
Cash flows from financing activities		
Contributions restricted for acquisition of property and long-term investments	740,641	170,987
Payments received on pledges restricted for acquisition of property	(92,444)	(68,001)
Payments on note payable	<u>(2,868,255)</u>	<u>(110,493)</u>
Net cash used in financing activities	<u>(2,220,058)</u>	<u>(7,507)</u>
Increase (decrease) in cash and cash equivalents	420,384	(194,647)
Cash and cash equivalents, beginning of year	<u>677,442</u>	<u>872,089</u>
Cash and cash equivalents, end of year	<u>\$ 1,097,826</u>	<u>\$ 677,442</u>
Supplementary disclosure of cash flow information		
Interest paid	\$ 118,041	\$ 143,460

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

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Ronald McDonald House Charities of Connecticut and Western Massachusetts, Inc. (the “Organization”) is a nonprofit charitable corporation formed in January 2013. The mission of Ronald McDonald House Charities (“RMHC”) is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The Ronald McDonald House program, operated by the Organization, represents the core function of RMHC.

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House programs located in New Haven, Connecticut and Springfield, Massachusetts, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers’ ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

In October 2024, RMHC opened its first Ronald McDonald Family Room at Baystate Children’s Hospital. The Ronald McDonald Family Room provides a supportive space for families of hospitalized children just steps from the bedside. It offers comfort and amenities within the hospital allowing families to stay closer to their child and actively engage in their healthcare journey. Whether families need a break from the clinical environment or a moment of normalcy, they find all they need and more in the Family Room.

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. Certain restrictions are temporary in nature and 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. Certain net assets are permanent in nature. The original corpus must remain in perpetuity and the Organization may utilize the earnings from these assets. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Statements of financial position that sequence assets and liabilities based upon their relative liquidity are presented.

Measure of operations

The Organization’s change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Based on payment history, management does not believe that an allowance for doubtful accounts is necessary at December 31, 2024 or 2023.

Contributions receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Organization uses the allowance method to determine uncollectible unconditional promises receivable based on management's analysis of specific promises made. Contributions receivable are written off when deemed uncollectible.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and other investment income are included in the statements of activities. Realized gains/losses are determined on a specific identification basis.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$2,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 40 Years
Office furniture and equipment	5 - 7 Years
Vehicles	5 Years

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Impairment of long-lived assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. There were no such adjustments in 2024 or 2023.

Donated assets, property and equipment, and services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

Deferred revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Net assets

The Organization's net assets and changes therein are classified and reported as follows:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With donor restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**RONALD MCDONALD HOUSE CHARITIES OF
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Revenue recognition

Contributions and grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as deferred revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Sponsorship revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Special event revenue – ticket sales

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

Rental revenue

Rental revenue is recognized on a monthly basis (straight-line) over the term of the lease.

Functional expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages and employee benefits are allocated on the basis of estimates of time and effort. Occupancy related expenses are allocated based upon square footage used.

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income (UBIT). There were no activities subject to UBIT in 2024 and 2023. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. LIQUIDITY AND AVAILABILITY OF RESOURCES:

As of December 31, 2024, the Organization has \$1,201,144 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which consists of current assets reduced by \$188,444 of current contributions receivable not available for general use because of contractual or donor-imposed restrictions.

The Organization maintains investments of \$6,351,073 (Note 4), consisting of mutual funds and common stocks of which \$4,933,621 are unrestricted and could be appropriated and used in operations. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets are available to fund operating expenses, if necessary.

As more fully described in Note 7, the Organization also has a line of credit with a maximum borrowing capacity of \$400,000, which it could draw upon in the event of an unanticipated liquidity need. The available balance on the line was \$400,000 at December 31, 2024.

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist primarily of pledges and bequests as of December 31, as follows:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 105,726	\$ 20,000
One to five years	90,718	80,000
Total	<u>196,444</u>	<u>100,000</u>
Unamortized discount	(8,000)	(4,000)
Net contributions receivable	<u>\$ 188,444</u>	<u>\$ 96,000</u>

The discount rate used for contributions made was approximately 4% for both years ended December 31, 2024 and 2023.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Overall investment objective

The Board of Directors, as the governing authority, is responsible for oversight of the Organization's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board to its Finance Committee. The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. Investments authorized by the Finance Committee include marketable equity and fixed income securities and other types of investments that may be made while keeping the portfolio within the targeted allocation of asset classes. Investments authorized also include agency advised funds held at the Community Foundation of Western Massachusetts and the Community Foundation of Greater New Haven ("Community Foundations").

**RONALD MCDONALD HOUSE CHARITIES OF
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS: (CONTINUED)

Fair value measurements

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets measured on a recurring basis as of December 31, are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
2024					
Mutual funds	\$ 6,231,350	\$ -	\$ -	\$ -	\$ 6,231,350
Beneficial interest – Community Foundation	-	-	-	119,723	119,723
Total	<u>\$ 6,231,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,723</u>	<u>\$ 6,351,073</u>
2023					
Mutual funds	\$ 8,234,131	\$ -	\$ -	\$ -	\$ 8,234,131
Beneficial interest – Community Foundation	-	-	-	98,666	98,666
Total	<u>\$ 8,234,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,666</u>	<u>\$ 8,332,797</u>

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS: (CONTINUED)

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. There have been no changes in the methodologies used at December 31, 2024 and 2023.

The valuation methodologies used for assets held at Community Foundations is based upon the Organization's allocable share of the Community Foundations' pooled investment portfolio. The allocable share is based on the net asset value ("NAV") of the underlying assets owned by the fund, minus its liabilities.

The beneficial interests in investments are valued monthly by the Community Foundations and are allocated based upon each organization's calculated share of the Community Foundations' pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants) and the investment returns allocated via a unitization process. The Organization calculates the NAV of its beneficial interest pooled investment assets held by the Community Foundation based on the estimated NAV of the underlying assets. The Community Foundation controls the investment and makes all management and investment decisions. There have been no changes in valuation techniques and related inputs.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2024 and 2023 is as follows:

	2024		2023
Interest and dividend income	\$ 216,086	\$	211,531
Realized and unrealized gains, net	664,024		921,473
Less investment expenses	(31,069)		(33,684)
Investment income (loss), net	<u>\$ 849,041</u>	\$	<u>1,099,320</u>

5. PROPERTY AND EQUIPMENT:

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

	2024		2023
Land	\$ 70,470	\$	70,470
Buildings and improvements	14,991,599		14,832,269
Equipment	1,273,637		1,202,163
Furniture, fixtures and computer software	39,621		39,621
Total, at cost	<u>16,375,327</u>		<u>16,144,523</u>
Less: accumulated depreciation	<u>(5,735,506)</u>		<u>(5,320,571)</u>
	10,639,821		10,823,952
Construction in progress	88,535		69,916
Total property and equipment	<u>\$ 10,728,356</u>	\$	<u>10,893,868</u>

Construction in progress at December 31, 2024 and 2023 is for room expansions at the Connecticut house. The total construction cost for this project is estimated to be approximately \$1,400,000.

**RONALD MCDONALD HOUSE CHARITIES OF
CONNECTICUT AND WESTERN MASSACHUSETTS, INC.**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

6. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Donors have contributed assets to an unrelated third party in exchange for a promise by the unrelated third party to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the unrelated third party. The Organization is named as a beneficiary in one of these agreements. Accordingly, contribution revenue is included in net assets with donor restrictions and the related assets are recognized at the estimated future cash receipts in the period in which the Organization received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statements of activities as the change in value of beneficial interest in assets held by others.

The Organization has a 20% beneficial interest in a perpetual trust. Beneficial interest in a perpetual trust as of December 31, 2024 and 2023 was \$1,460,435 and \$1,373,048, respectively. These amounts represent 20% of the total market value at year end. A change in market value of \$87,387 and \$213,411 for 2024 and 2023, respectively, is shown as a change in net assets with donor restrictions in the statements of activities. Additionally, the Organization receives an annual distribution of 20% of the net income by this trust. The distribution is recorded annually and is available to the Organization for general purposes without restriction.

7. BORROWINGS UNDER LINES OF CREDIT:

The Organization has a revolving line of credit facility for up to \$400,000 with a bank. The line of credit requires monthly installments of interest at the greater of the Daily Simple Secured Overnight Financing Rate ("SOFR") plus 1.61% or 1.66% which is deemed the SOFR Index floor (4.49% and 5.33% at December 31, 2024 and 2023, respectively). The line was secured by a security interest in the Vanguard investment account consisting of unrestricted marketable securities in an amount of not less than one million dollars. During December 2024 the Organization had the line of credit agreement rewritten and the line is now secured by all assets of the Organization. There were no borrowings outstanding on the line of credit as of December 31, 2024 and 2023.

8. NOTE PAYABLE:

During 2016, the Organization received financing from a bank for construction of a new house in the form of a loan in a maximum amount of \$6,000,000. The loan bears interest at 6% per annum. On July 22, 2018, monthly principal and interest payments of \$28,011 were due for a period of 120 months, however after a \$1,000,000 payment on February 4, 2022, monthly payments were reduced to \$21,163. The remaining balance was due June 22, 2028. The loan balance was paid in full in 2024. The loan balance was \$2,868,255 at December 31, 2023. The loan was secured by a security interest in all assets of the Organization and the Howard Street property.

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**NOTES TO FINANCIAL STATEMENTS
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9. ENDOWMENT FUNDS:

The Organization's endowment consists of an individual fund established by a donor to provide annual funding for specific activities and general operations.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State of Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 the standard of prudence prescribed by 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 various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 4% annually above the Consumer Price Index. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

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**NOTES TO FINANCIAL STATEMENTS
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9. ENDOWMENT FUNDS: (CONTINUED)

Spending Policy – Donor-restricted endowment. Funds available for distribution will be determined using a total return principle (return derived from dividends and interest as well as realized and unrealized capital gains). The funds available for distribution during any one year will be limited to 5% of the market value of the corpus that is based on a 3-year rolling average, with measures taken at the end of each of the preceding 12 quarters, with annual distribution calculated using the quarter ended June 30. The market value for this purpose will be taken net of the fees for investment management. Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the Executive Committee. In 2024 and 2023 there were no distributions.

In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at an average rate of 4% annually above the Consumer Price Index. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The Organization's policy does not permit spending from underwater endowment funds.

Changes in endowment net assets and net assets by type of fund were as follows for the year ended December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,351,791	\$ 1,351,791
Investment earnings, net	-	129,069	129,069
Board appropriated earnings for operations	-	(63,408)	(63,408)
Endowment net assets, end of year	\$ -	\$ 1,417,452	\$ 1,417,452
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 1,010,000	\$ 1,010,000
Portion subject to appropriation under UPMIFA	-	407,452	407,452
Total funds	\$ -	\$ 1,417,452	\$ 1,417,452

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9. ENDOWMENT FUNDS: (CONTINUED)

Changes in endowment net assets and net assets by type of fund were as follows for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,174,449	\$ 1,174,449
Investment earnings, net	<u>-</u>	<u>177,342</u>	<u>177,342</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>1,351,791</u>	\$ <u>1,351,791</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 1,010,000	\$ 1,010,000
Portion subject to appropriation under UPMIFA	<u>-</u>	<u>341,791</u>	<u>341,791</u>
Total funds	\$ <u>-</u>	\$ <u>1,351,791</u>	\$ <u>1,351,791</u>

Fund 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. There were no such deficiencies as of December 31, 2024 and 2023.

10. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose or time:		
Program activities:		
Capital campaign	\$ 1,052,106	\$ 496,818
Accumulated Investment earnings on endowment funds	407,452	341,791
Other – various	<u>57,502</u>	<u>81,058</u>
	1,517,060	919,667
Not subject to appropriation or expenditure:		
Endowment	1,010,000	1,010,000
Perpetual trust value	<u>1,460,435</u>	<u>1,373,048</u>
Total net assets with donor restrictions	\$ <u>3,987,495</u>	\$ <u>3,302,715</u>

**RONALD MCDONALD HOUSE CHARITIES OF
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**NOTES TO FINANCIAL STATEMENTS
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11. NET ASSET RELEASED FROM DONOR RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Purpose restrictions accomplished:		
Program activities	\$ 208,908	\$ 30,066
Endowment return used in operations	63,408	-
Other activities	<u>\$ 272,316</u>	<u>\$ 30,066</u>

12. CONTRIBUTED NONFINANCIAL ASSETS:

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2024</u>	<u>2023</u>
House supplies, food, toys, and wish expense	\$ 136,278	\$ 124,628
Maintenance services	13,420	43,410
Fundraising / special event expenses	151,481	199,326
Total contributed nonfinancial assets	<u>\$ 301,179</u>	<u>\$ 367,364</u>

The Organization recognized contributed nonfinancial assets within revenue, including office equipment and supplies, family support supplies, utilities, raffle items, rent, accounting services and legal services.

In valuing property and equipment, the Organization estimated fair value at the date of donation.

In valuing office equipment and supplies, family support services, and auction items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed services recognized are comprised of meal preparation, monthly inspections, and outdoor maintenance services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed food, household goods, and clothing were utilized in the Ronald McDonald House program. In valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

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13. EMPLOYEE RETIREMENT PLANS:

The Organization has a defined contribution retirement plan (the “Plan”) and tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. All full and part-time employees are eligible to participate upon hire by deferring an equal to percentage of the of the Contributing Participant’s Compensation from 2% to 100% in increments of 1%. The Organization will provide a Safe Harbor match up to 5% after one year of service (1000 hours constitutes a full year of service). All employees are eligible in the tax-deferred annuity plan. Contributions by each employee are limited to the amounts set forth by the Internal Revenue Code. Employer contributions to the Plan were \$47,859 and \$36,813 for the years ended December 31, 2024 and 2023, respectively.

14. RENTAL INCOME:

In 2017, the Organization entered into an agreement to lease meeting rooms with Yale New Haven Hospital for ten years. Lease income is being recognized on a straight-line basis over the lease term. Lease revenues for the years ended December 31, 2024 and 2023 were \$398,200.

Minimum future rental revenues for each of the next four years and in the aggregate are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 398,200
2026	398,200
2027	199,100
Total	<u>\$ 955,500</u>

15. TRANSACTIONS WITH RELATED ENTITIES:

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2024 and 2023, the Organization received \$318,216 and \$199,491, respectively, from these revenue streams.

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16. CONCENTRATION RISK:

Credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investments.

The Organization maintains cash and investment balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. From time to time, the Organization's balances may exceed insured limits. Management monitors any credit risk that may exist with respect to these cash and investment balances and the Organization limits its credit risk by selecting financial institutions considered to be highly creditworthy.

17. COMMITMENTS AND CONTINGENCIES:

The Organization has a ground lease with Baystate Health Systems, Inc. for property at 33 Pratt Street, which is adjacent to the Organization's house located in Springfield, Massachusetts. The lease commenced on October 2, 1995 and has a term of 99 years. Baystate Health Systems, Inc. can terminate the lease upon written notice. The lease term requires a nominal payment of \$1 annually. The Organization has paid the lease in full.

The Organization has a ground lease with Yale New Haven Hospital for property in New Haven, Connecticut. The lease commenced in October 2015 and has term of 98 years. The lease term requires a nominal payment of \$1. The Organization has paid the lease in full.

The Organization received Employee Retention Credits of \$263,972 in 2022 which related to amended payroll returns for 2020 and 2021. Under current regulations, the Internal Revenue Service has extended the statute of limitations to review all claims to five years.

18. SUBSEQUENT EVENTS:

Management evaluated subsequent events through June 30, 2025, the date on which the financial statements were available to be issued.