

# **Ronald McDonald House of Houston, Inc.**

Financial Statements

and Independent Auditor's Report

For the Years Ended December 31, 2022 and 2021

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## Independent Auditor's Report

To the Board of Directors of  
Ronald McDonald House of Houston, Inc.  
Houston, Texas

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Ronald McDonald House of Houston, Inc. (RMH Houston), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RMH Houston as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RMH Houston 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.

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended December 31, 2022, RMH Houston adopted ASU 2020-07, Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, effective January 1, 2021. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RMH Houston's ability to continue as a going concern for one year after the date that the financial statements are issued.

The Board of Directors of  
Ronald McDonald House of Houston, Inc.

**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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the RMH Houston's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RMH Houston'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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
May 31, 2023

# Ronald McDonald House of Houston, Inc.

## Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,446,835	\$ 1,120,847
Investments	898,847	939,041
Accounts receivable	25,837	38,428
Contributions receivable, net	248,500	312,015
Contributions receivable from Houston House Foundation	-	300,000
Grants receivable	654,395	-
Prepays	81,401	78,705
Property and equipment, net	<u>22,743,546</u>	<u>23,246,358</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,099,361</u>	<u>\$ 26,035,394</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 286,253	\$ 95,453
Accrued payroll expenses	143,324	99,173
Construction payable	-	42,474
Due to Houston House Foundation	1,265	-
Deferred revenue	<u>28,450</u>	<u>27,399</u>
Total liabilities	459,292	264,499
<b>NET ASSETS</b>		
Without donor restrictions	24,946,678	25,498,472
With donor restrictions	<u>693,391</u>	<u>272,423</u>
Total net assets	<u>25,640,069</u>	<u>25,770,895</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,099,361</u>	<u>\$ 26,035,394</u>

The Notes to Financial Statements  
are an integral part of these statements.

# Ronald McDonald House of Houston, Inc.

## Statement of Activities Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 2,220,524	\$ 1,337,485	\$ 3,558,009
Contributions from Houston			
House Foundation	500,000	-	500,000
Special events	1,885,658	-	1,885,658
Contributions of nonfinancial assets	75,545	-	75,545
Grant revenue	654,395	-	654,395
House occupancy fees	208,680	-	208,680
Net investment return	(45,299)	-	(45,299)
Other income	2,209	-	2,209
Net assets released from restrictions:			
Program expenditures	916,517	(916,517)	-
	<u>6,418,229</u>	<u>420,968</u>	<u>6,839,197</u>
Total revenue, gains and other support			
<b>EXPENSES</b>			
Program	4,915,297	-	4,915,297
Management and general	609,469	-	609,469
Fundraising	1,070,730	-	1,070,730
Cost of direct benefits to donors	374,527	-	374,527
	<u>6,970,023</u>	<u>-</u>	<u>6,970,023</u>
Total expenses			
Change in net assets	(551,794)	420,968	(130,826)
<b>NET ASSETS, beginning of year</b>	<u>25,498,472</u>	<u>272,423</u>	<u>25,770,895</u>
<b>NET ASSETS, end of year</b>	<u>\$ 24,946,678</u>	<u>\$ 693,391</u>	<u>\$ 25,640,069</u>

The Notes to Financial Statements  
are an integral part of this statement.

# Ronald McDonald House of Houston, Inc.

## Statement of Activities Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,947,676	\$ 382,199	\$ 2,329,875
Contribution - payroll protection program loan forgiveness	466,987	-	466,987
Special events	1,755,707	-	1,755,707
Contributions of nonfinancial assets	125,893	-	125,893
House occupancy fees	136,485	-	136,485
Net investment return	187	-	187
Other income	371	-	371
Net assets released from restrictions:			
Program expenditures	338,177	(338,177)	-
	<u>4,771,483</u>	<u>44,022</u>	<u>4,815,505</u>
Total revenue, gains and other support			
	4,771,483	44,022	4,815,505
<b>EXPENSES</b>			
Program	4,318,367	-	4,318,367
Management and general	588,063	-	588,063
Fundraising	781,284	-	781,284
Cost of direct benefits to donors	239,120	-	239,120
	<u>5,926,834</u>	<u>-</u>	<u>5,926,834</u>
Total expenses			
	5,926,834	-	5,926,834
<b>OTHER INCOME (EXPENSE)</b>			
Return of contribution receivable	(1,000,000)	-	(1,000,000)
	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Total other income (expense)			
	(1,000,000)	-	(1,000,000)
Change in net assets	(2,155,351)	44,022	(2,111,329)
<b>NET ASSETS, beginning of year</b>	<u>27,653,823</u>	<u>228,401</u>	<u>27,882,224</u>
<b>NET ASSETS, end of year</b>	<u>\$ 25,498,472</u>	<u>\$ 272,423</u>	<u>\$ 25,770,895</u>

The Notes to Financial Statements  
are an integral part of this statement.

# Ronald McDonald House of Houston, Inc.

## Statements of Functional Expenses Years Ended December 31, 2022 and 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2022 Total</u>
<b>EXPENSES</b>					
Salaries	\$ 1,624,845	\$ 323,617	\$ 500,300	\$ -	\$ 2,448,762
Employee benefits and payroll taxes	450,111	80,579	97,606	-	628,296
Depreciation and amortization	1,306,281	1,308	-	-	1,307,589
Supplies and equipment	794,665	664	2,903	374,527	1,172,759
Professional fees	675	87,102	-	-	87,777
Building and equipment maintenance	181,056	51,609	11,591	-	244,256
Utilities	336,925	-	-	-	336,925
Rent	8,156	28,545	4,078	-	40,779
Insurance	132,273	5,170	-	-	137,443
Printing and postage	1,889	2,430	235,292	-	239,611
Communications	40,559	1,067	1,067	-	42,693
Other	37,862	27,378	217,893	-	283,133
<b>TOTAL EXPENSES</b>	<b>\$ 4,915,297</b>	<b>\$ 609,469</b>	<b>\$ 1,070,730</b>	<b>\$ 374,527</b>	<b>\$ 6,970,023</b>

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2021 Total</u>
<b>EXPENSES</b>					
Salaries	\$ 1,430,075	\$ 276,709	\$ 441,073	\$ -	\$ 2,147,857
Employee benefits and payroll taxes	406,489	71,906	90,679	-	569,074
Depreciation and amortization	1,298,965	2,603	-	-	1,301,568
Supplies and equipment	598,192	1,811	8,577	239,120	847,700
Professional fees	-	123,504	-	-	123,504
Building and equipment maintenance	182,072	62,406	14,968	-	259,446
Utilities	204,434	-	-	-	204,434
Rent	16,827	21,219	2,732	-	40,778
Insurance	130,257	5,240	-	-	135,497
Printing and postage	1,069	833	21,889	-	23,791
Communications	39,916	1,050	1,050	-	42,016
Other	10,071	20,782	200,316	-	231,169
<b>TOTAL EXPENSES</b>	<b>\$ 4,318,367</b>	<b>\$ 588,063</b>	<b>\$ 781,284</b>	<b>\$ 239,120</b>	<b>\$ 5,926,834</b>

The Notes to Financial Statements  
are an integral part of these statements.



# Ronald McDonald House of Houston, Inc.

## Statements of Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (130,826)	\$ (2,111,329)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	1,307,589	1,301,568
Net realized and unrealized (gain) loss on investments	40,194	(431,436)
Change in operating assets and liabilities:		
Contributions and accounts receivable	376,106	1,769,017
Grants receivable	(654,395)	-
Prepays	(2,696)	(3,056)
Accounts payable and accrued expenses	190,800	11,445
Accrued payroll expenses	44,151	(5,455)
Construction payable	(42,474)	42,474
Due to Foundation	1,265	(59,327)
Deferred revenue	1,051	(109,184)
Net cash provided by operating activities	<u>1,130,765</u>	<u>404,717</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(804,777)</u>	<u>(89,507)</u>
Net cash used in investing activities	<u>(804,777)</u>	<u>(89,507)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments on line of credit, net	<u>-</u>	<u>(448,805)</u>
Net cash used in financing activities	<u>-</u>	<u>(448,805)</u>
Net change in cash and cash equivalents	325,988	(133,595)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,120,847</u>	<u>1,254,442</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,446,835</u>	<u>\$ 1,120,847</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ -</u>	<u>\$ 4,956</u>

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

### Note 1. Organization and Summary of Significant Accounting Policies

#### Organization

Ronald McDonald House of Houston, Inc. (RMH Houston) is a Texas nonprofit corporation. The mission of RMH Houston is to offer a comfortable, safe, and reliable *home away from home* providing care, compassion and hope to families with seriously ill children being treated in Texas Medical Center member institutions. RMH Houston owns and operates Holcombe House, a 70-bedroom house on Holcombe Boulevard in the Texas Medical Center in Houston, Texas.

RMH Houston also operates a 19-bedroom house and 10 family lounges inside Texas Children's Hospital (TCH), 20 bedrooms and two family lounges inside Children's Memorial Hermann Hospital, and two bedrooms and a family lounge and kitchen inside M.D. Anderson Children's Cancer Hospital.

#### Affiliated Organization

Houston House Foundation (the Foundation) was created in November 1989 with a contribution of \$3.2 million from RMH Houston. The Foundation was established exclusively for the benefit of RMH Houston. The Board of Directors of the Foundation have discretionary authority to determine the amount, manner and times for payment of any amounts to RMH Houston.

#### Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, which recognizes support and revenue when earned and expenses when incurred. The financial statements of RMH Houston are presented in accordance with accounting principles generally accepted in the United States of America applicable to not for profit organizations. Financial position and activities are reported according to two classes of net assets: (i) net assets without donor restrictions and (ii) net assets with donor restrictions.

#### Federal Income Tax Status

RMH Houston is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

#### Receivables

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. Any loss on contributions receivable recognized and the resulting adequacy of the allowance is determined using a combination of historical loss experience and analysis of individual balances. RMH Houston's policy is to write off balances against the allowance when management believes they will not be collected. Grant receivables are recognized when eligibility requirements are met.

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

### Investments

Investments are reported at fair value. Net investment return consists of interest, dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses. Net investment return is reported in the statement of activities as an increase or decrease in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions.

### Prepays

Prepays consist primarily of payments made in advance for expenses related to future periods.

### Property and Equipment

Property and equipment are reported at cost if purchased and at fair value at the date of donation. Depreciation is computed on a straight-line basis over estimated useful lives of 3 to 35 years. RMH Houston capitalizes additions and improvements that have a tangible future economic life and a cost of more than \$1,000.

### Net Asset Classification

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed stipulations. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

### Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

### Special Events

Special events revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

### Contributions of Nonfinancial Assets

Donated materials and use of facilities are recognized at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

### House Occupancy Fees

House occupancy fees are recognized at the time services are provided, net of estimated uncollectible amounts and discounts based on a family's ability to pay.

### Functional Allocation of Expenses

Expenses are reported by their functional classification, including direct donor benefit costs, as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which RMH Houston exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, interest expense, and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

### Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

### Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842), a comprehensive new standard that amends various aspects of existing accounting guidance for leases, including the recognition of a right of use asset and a lease liability for leases with duration greater than one year. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This standard can be implemented using a modified retrospective approach, under which provisions are applied to all applicable leases as of the beginning of the earliest period presented, or at the date of adoption with the recognition of a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Early adoption is permitted. RMH Houston implemented this standard effective January 1, 2022. There were no agreements effective which were subject to this standard requiring recognition of a right to use asset and lease liability.

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

Additionally, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods with annual periods beginning after June 15, 2022. This standard should be applied on a retrospective basis. RMH Houston implemented this standard effective January 1, 2021.

### Note 2. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2022, comprise the following:

Financial assets	
Cash and cash equivalents	\$ 1,446,835
Investments	898,847
Contributions receivable, net	<u>248,500</u>
Total financial assets, year end	2,594,182
Less financial assets not available for general expenditure	
Net assets with donor restrictions	<u>(693,391)</u>
Total financial assets not available to be used within one year	<u>(693,391)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 1,900,791</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, RMH Houston considers all expenditures related to their ongoing mission of providing a comfortable, safe, and reliable *home away from home* to families with seriously ill children being treated in Texas Medical Center member institutions, as well as the activities undertaken to support this mission, to be general expenditures.

RMH Houston regularly monitors liquidity required to meet operating needs while striving to maximize the investment of available funds. As part of RMH Houston's liquidity management, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. The Board of Directors has designated resources without donor restrictions to be used for specific purposes. However, these funds remain available to be spent at the discretion of the Board of Directors.

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

### Note 3. Contributions Receivable

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 288,500	\$ 357,500
Discount to net present value at 1.98%	-	(485)
Allowance for uncollectible contributions receivable	<u>(40,000)</u>	<u>(45,000)</u>
Contributions receivable, net	<u>\$ 248,500</u>	<u>\$ 312,015</u>

Contributions receivable at December 31, 2022 and 2021, due to be collected as follows:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 288,500	\$ 332,500
In one to four years	<u>-</u>	<u>25,000</u>
Total contributions receivable	<u>\$ 288,500</u>	<u>\$ 357,500</u>

Contributions receivable at December 31, 2022 include approximately \$65,000 of balances outstanding from the capital campaign. Most of the donor restrictions were satisfied during 2018 when the building was placed in service.

### Note 4. Concentration of Credit Risk

At December 31, 2022, approximately 55% of contributions receivable was from one donor. At December 31, 2021, approximately 63% of contributions receivable were due from one donor.

### Note 5. Investments

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure 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 three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- Level 2 – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- Level 3 – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

Mutual funds are valued at the reported net asset value. Investments measured at net asset value are excluded from the fair value hierarchy. RMH Houston's investments as of December 31, 2022 and 2021 were comprised solely of federal short-term bond mutual funds totaling \$898,847 and \$939,041, respectively.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

### Note 6. Property and Equipment

Property is comprised of the following:

	2022	2021
Construction in progress	\$ 238,587	\$ 42,474
Use of Texas Medical Center land	1,100,000	1,100,000
Building	29,563,612	29,293,169
Building improvements	2,293,741	2,067,229
Furniture and equipment	1,930,090	1,873,138
	<hr/>	<hr/>
Total property and equipment, at cost	35,126,030	34,376,010
	<hr/>	<hr/>
Accumulated depreciation and amortization	(12,382,484)	(11,129,652)
	<hr/>	<hr/>
Property and equipment, net	<u>\$ 22,743,546</u>	<u>\$ 23,246,358</u>

### Use of Land

RMH Houston entered into a 99-year lease agreement for \$1 per year with the Texas Medical Center on September 1, 1995 for the use of the land on which Holcombe House is located. The estimated fair value of this agreement of approximately \$1.1 million is reported as property and is being amortized over the life of the lease.

### Note 7. Line of Credit

RMH Houston had available a \$4,000,000 line of credit with a bank, expiring on October 24, 2022. Interest was payable monthly at LIBOR plus 1.75%. The line was secured by contributions receivable and proceeds from the Behind Every Door capital campaign. The line of credit was closed on or about December 16, 2021 when the remaining balance was paid off. The outstanding balance as of December 31, 2022 and 2021 was \$0. The borrowings were used to finance capital campaign project costs due to be paid before contributions receivable were collected.

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

### Note 8. Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

	2022	2021
Undesignated	\$ 2,203,132	\$ 1,952,114
Undesignated invested in property, net	22,743,546	23,246,358
Board designated for capital projects	-	300,000
Total net assets without donor restrictions	<u>\$ 24,946,678</u>	<u>\$ 25,498,472</u>

During 2017, the Foundation's Board of Trustees designated \$2,500,000 to support *Behind Every Door* capital campaign projects, \$300,000 of which was transferred per year to RMH Houston for the years 2018 - 2021. During 2021, the total amount to be transferred was reduced by \$1,000,000. The remaining \$300,000 was transferred in 2022.

### Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Other RMH Houston operations and supplies	\$ 650,445	\$ 221,636
Family activities and services	42,946	50,787
Total net assets with donor restrictions	<u>\$ 693,391</u>	<u>\$ 272,423</u>

### Note 10. Volunteer Services

Volunteers provide guest, maintenance, and administrative services that are integral to the operation of Holcombe House and in-hospital programs. During 2022, approximately 295 volunteers donated 12,400 hours for such services. During 2021, approximately 372 volunteers donated 6,905 hours for such services. No amount has been recognized in the financial statements for these volunteer services because they do not meet the criteria for recognition under generally accepted accounting principles.

### Note 11. Retirement Plan

RMH Houston has a §401(k) retirement plan which covers all employees. RMH Houston contributes an amount equal to 3% of each employee's salary. In addition, RMH Houston will match 100% for each percent the employee contributes up to 3%. The employer-paid matching contribution was suspended on June 15, 2020, and reinstated on January 15, 2021. RMH Houston contributed \$133,495 to the plan in 2022 and \$115,481 to the plan in 2021.



# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

### Note 12. Paycheck Protection Program

During the year ended December 31, 2020, RMH Houston participated in the Paycheck Protection Program (PPP) loan program authorized under the CARES Act and secured financing through a financial institution for \$452,485 at 1.00% interest (the First Draw PPP Loan). The loan was guaranteed by the Small Business Administration. The loan qualified for 100% forgiveness if certain criteria were met. As of December 31, 2020, management had determined that the conditions for forgiveness for the First Draw PPP Loan had been met and recorded the loan forgiveness as a contribution on the accompanying statement of activity.

During the year ended December 31, 2021, RMH Houston received notice that the First Draw PPP Loan in the amount of \$452,485 was forgiven in full.

In February 2021, RMH Houston participated in the Second Draw PPP Loan program and secured financing through a financial institution for \$466,987 at 1.00% interest (the Second Draw PPP Loan). The loan is guaranteed by the Small Business Administration. The loan qualifies for 100% forgiveness if used for qualifying expenses. As of December 31, 2021, management has determined that the conditions for forgiveness for the Second Draw PPP Loan had been met and recorded the loan forgiveness as a contribution on the accompanying statement of activity.

During the year ended December 31, 2022, RMH Houston received notice that the Second Draw PPP Loan in the amount of \$466,987 has been forgiven in full.

### Note 13. Contingencies and Commitments

#### Commitments

As of December 31, 2022, RMH Houston has active construction projects with an aggregate unexpended balance on open contracts of \$167,701.

### Note 14. Contributions of Nonfinancial Assets

Contributed nonfinancial assets for the year ended December 31, 2022 consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Goods, gift cards	\$ 34,766	Program, Fundraising	No associated donor restrictions	Contributed goods and gifts cards are valued at (1) goods - the estimated fair value based on current market cost and (2) gift cards - the face value of the gift cards
Donated Rent	<u>40,779</u>	Program, Management and General, Fundraising	No associated donor restrictions	Contributed rent is valued at the estimated fair value based on current rates.
Total contributed nonfinancial assets	\$ 75,545			

# Ronald McDonald House of Houston, Inc.

## Notes to Financial Statements

Contributed nonfinancial assets for the year ended December 31, 2021 consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Services	\$ 25,000	Management and General	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services.
Goods, gift cards	60,114	Program, Fundraising	No associated donor restrictions	Contributed goods and gifts cards are valued at (1) goods - the estimated fair value based on current market cost and (2) gift cards - the face value of the gift cards
Donated Rent	<u>40,779</u>	Program, Management & General, Fundraising	No associated donor restrictions	Contributed rent is valued at the estimated fair value based on current rates.
Total contributed nonfinancial assets	\$ 125,893			

### Note 15. Employee Retention Credit

RMH Houston is eligible for the Employee Retention Credit (ERC) under the CARES Act. Grants receivable for the ERC at December 31, 2022 are \$654,395, which represents refunds due on the 2020 and 2021 Form 941-X Employer Quarterly Federal Tax Return for the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021. Upon receipt of the ERC, 25% will become payable as consulting fees. Grants receivable under the ERC were recorded in government grants and contracts revenue on the accompanying statement of activities.

### Note 16. Subsequent Events

Management has evaluated subsequent events through May 31, 2023, which is the date that the financial statements were available for issuance.