Ronald McDonald House Charities of New Mexico, Inc.

Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

Schlenker & Cantwell, P.A.

8830 Horizon Blvd NE

Albuquerque, NM 87113

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities
of New Mexico, Inc.
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of New Mexico, Inc. (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of New Mexico, Inc. 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. 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 New Mexico, 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 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 Ronald McDonald House Charities of New Mexico, 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

March 8, 2023
Albuquerque, New Mexico

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statements of Financial Position
December 31, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash and Cash Equivalents	$ 1,216,222	$ 1,036,478
Accounts Receivable, Net	-	79,254
Contributions Receivable, Net	202,940	255,221
Short-Term Investments	158,018	106,679
Prepaid Expenses	11,408	49,541
Other Assets	2,400	3,675
Total Current Assets	1,590,988	1,530,848
Non-Current Assets		
Contributions Receivable, Net	-	86,933
Investments	1,840,755	2,484,255
Property and Equipment, Net	6,703,585	6,875,381
Beneficial Use of Land	211,540	214,272
Total Noncurrent assets	8,755,880	9,660,841
Total Assets	$ 10,346,868	$ 11,191,689

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 146,132	$ 121,411
Deferred Revenue	-	14,980
Total Current Liabilities	146,132	136,391
Total Liabilities	146,132	136,391
Net assets		
Without Donor Restrictions:		
Undesignated	8,888,082	9,612,290
Board Designated Endowment	260,951	260,951
Total Net Assets Without Donor Restrictions	9,149,033	9,873,241
With Donor Restrictions:		
Restricted in Perpetuity	637,223	634,031
Restricted for Time or Purpose	414,480	548,026
Total Net Assets with Donor Restrictions	1,051,703	1,182,057
Total Net Assets	10,200,736	11,055,298
Total Liabilities and Net Assets	$ 10,346,868	$ 11,191,689

See independent auditors' report and notes to the financial statements

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Totals
Revenue and Other Support			
Contributions	$ 984,964	$ 3,192	$ 988,156
Special Events Revenue	75,249	-	75,249
Grant Revenue	230,158	92,710	322,868
In-kind Contributions	88,938	8,768	97,706
Room Donations	60,501	-	60,501
Third-Party Reimbursements	159,276	-	159,276
Other Income	5,744	-	5,744
Net Assets Released from Restrictions	252,976	(252,976)	-
Total Revenues and Other Support	1,857,806	(148,306)	1,709,500
Expenses			
Program Services	1,663,437	-	1,663,437
Cost of Direct Benefits to Donors	34,761	-	34,761
Management and General Administration	171,376	-	171,376
Fundraising	308,645	-	308,645
Total expenses	2,178,219	-	2,178,219
Changes in Net Assets From Operations	(320,413)	(148,306)	(468,719)
Non-Operating Activities			
Investment (loss) income, net	(403,795)	17,952	(385,843)
Total Non-Operating Activities	(403,795)	17,952	(385,843)
Change in Net Assets	(724,208)	(130,354)	(854,562)
Net assets, Beginning of Year	9,873,241	1,182,057	11,055,298
Net assets, End of Year	$ 9,149,033	$ 1,051,703	$ 10,200,736

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
Revenue and Other Support			
Contributions	$ 881,857	$ 244,268	$ 1,126,125
Special Events Revenue	84,925	-	84,925
Grant Revenue	528,793	-	528,793
In-kind Contributions	118,487	8,876	127,363
Room Donations	52,655	-	52,655
Third-Party Reimbursements	38,972	-	38,972
Other Income	2,406	-	2,406
Net Assets Released from Restrictions	526,720	(526,720)	-
Total Revenues and Other Support	2,234,815	(273,576)	1,961,239
Expenses			
Program Services	1,524,734	-	1,524,734
Cost of Direct Benefits to Donors	45,856	-	45,856
Management and General	70,542	-	70,542
Fundraising	300,177	-	300,177
Total expenses	1,941,309	-	1,941,309
Changes in Net Assets From Operations	293,506	(273,576)	19,930
Non-Operating Activities			
Investment Income, net	224,707	90,520	315,227
Total Non-Operating Activities	224,707	90,520	315,227
Change in Net Assets	518,213	(183,056)	335,157
Net assets, Beginning of Year	9,355,028	1,365,113	10,720,141
Net assets, End of Year	$ 9,873,241	$ 1,182,057	$ 11,055,298

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statement of Functional Expenses
For the year ended December 31, 2022

	Program Services						
	Ronald McDonald House	Ronald McDonald Family Room	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	$ 613,430	$ -	$ 613,430	$ 46,590	$ 116,474	$ -	$ 776,494
Employee Benefits	58,692	-	58,692	6,521	16,303	-	81,516
Payroll Taxes	46,999	-	46,999	3,570	8,923	-	59,492
Total Salaries and Related Expenses	$ 719,121	$ -	$ 719,121	$ 56,681	$ 141,700	$ -	$ 917,502
Advertising	3,927	-	3,927	-	11,732	-	15,659
Bank charges	6,590	-	6,590	16,740	1,258	-	24,588
Bad debt	-	-	-	-	10,186	-	10,186
Depreciation	280,178	-	280,178	2,844	1,423	-	284,445
Direct Benefit to Donors	-	-	-	-	-	34,761	34,761
Direct Mail	25,789	-	25,789	-	77,365	-	103,154
Public relations	-	-	-	-	292	-	292
Family Support Services and Supplies	145,210	-	145,210	3,479	9,220	-	157,909
Insurance	39,683	-	39,683	1,099	2,157	-	42,939
Interest	-	-	-	-	-	-	-
Maintenance and Repairs	232,795	-	232,795	4,177	6,348	-	243,320
Meetings, Education and Training	-	-	-	307	-	-	307
Miscellaneous	-	-	-	7,041	47	-	7,088
Postage and Courier	4,490	-	4,490	341	852	-	5,683
Contract services	73,766	-	73,766	3,070	27,190	-	104,026
Printing and Publishing	1,285	-	1,285	-	3,856	-	5,141
Professional fees	4,563	-	4,563	66,775	866	-	72,204
Rent	10,542	56,738	67,280	-	-	-	67,280
Technology	-	-	-	-	-	-	-
Telephone	10,375	-	10,375	788	1,970	-	13,133
Travel, Meals, and Entertainment	6,104	-	6,104	7,611	-	-	13,715
Utilities	41,672	-	41,672	423	212	-	42,307
Volunteer Resources and Recognition	609	-	609	-	2,583	-	3,192
Other	-	-	-	-	9,388	-	9,388
Total Operating Expenses	$ 1,606,699	$ 56,738	$ 1,663,437	$ 171,376	$ 308,645	$ 34,761	$ 2,178,219

See independent auditors' report and notes to the financial statements

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statement of Functional Expenses
For the year ended December 31, 2021

	Program Services						
	Ronald McDonald House	Ronald McDonald Family Room	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	$ 593,293	$ -	$ 593,293	$ 45,060	$ 112,651	$ -	$ 751,004
Employee Benefits	60,068	-	60,068	6,674	16,685	-	83,427
Payroll Taxes	44,665	-	44,665	3,392	8,481	-	56,538
Total Salaries and Related Expenses	$ 698,026	$ -	$ 698,026	$ 55,126	$ 137,817	$ -	$ 890,969
Advertising	-	-	-	-	4,880	-	4,880
Interest	-	-	-	182	-	-	182
Bad debt	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	9,340	-	9,340
Depreciation	258,693	-	258,693	2,640	2,640	-	263,973
Direct benefit to donors	-	-	-	-	-	45,856	45,856
Direct Mail	25,423	-	25,423	-	76,269	-	101,692
Family Support Services and Supplies	163,984	3,367	167,351	549	6,293	-	174,193
Insurance	39,776	-	39,776	454	1,043	-	41,273
Maintenance and Repairs	107,739	229	107,968	1,455	3,639	-	113,062
Meetings, Education and Training	-	-	-	1,299	-	-	1,299
Miscellaneous	9,804	-	9,804	348	64	-	10,216
Postage and Courier	4,422	-	4,422	336	840	-	5,598
Printing and Publishing	6,507	-	6,507	494	1,236	-	8,237
Professional fees	88,594	-	88,594	4,645	37,373	-	130,612
Rent	13,617	56,738	70,355	-	-	-	70,355
Telephone	7,819	-	7,819	1,550	620	-	9,989
Travel, Meals, and Entertainment	1,851	768	2,619	1,274	191	-	4,084
Utilities	37,377	-	37,377	190	379	-	37,946
Volunteer Resources and Recognition	-	-	-	-	1,171	-	1,171
Donor recognition	-	-	-	-	731	-	731
Other	-	-	-	-	15,651	-	15,651
Total Expenses	$ 1,463,632	$ 61,102	$ 1,524,734	$ 70,542	$ 300,177	$ 45,856	$ 1,941,309

See independent auditors' report and notes to the financial statements

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statements of Cash Flows
December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (854,562)	$ 335,157
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cash provided by operating activities:		
Depreciation	284,445	263,973
Reinvested dividends and interest, net	(82,049)	(106,011)
Amortization of discounts on long-term contributions receivable	(8,768)	(8,876)
Net realized and unrealized losses (gains)	467,892	(209,216)
Paycheck Protection Program -Refundable Advance	-	(150,800)
Amortization of beneficial use of land	11,500	11,500
(Decrease) increase in assets		
Accounts receivable	79,254	(12,472)
Contributions receivable	139,214	154,682
Prepaid expenses	38,133	(29,082)
Other assets	1,275	2,131
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	24,721	61,639
Deferred revenue	(14,980)	(275)
Net cash provided by operating activities	86,075	312,350
Cash flows from investing activities		
Purchases of investments	(127,940)	(832,673)
Proceeds from sale of investments	334,258	418,569
Purchases of property and equipment	(112,649)	(52,616)
Net cash provided (used) used by investing activities	93,669	(466,720)
Net increase (decrease) in cash and cash equivalents	179,744	(154,370)
Cash and cash equivalents, beginning of year	1,036,478	1,190,848
Cash and cash equivalents - end of year	$ 1,216,222	$ 1,036,478
Supplemental disclosure of cash flows:		
Cash paid for interest	$ -	$ 182

NOTE 1 – NATURE OF ORGANIZATION

Organization

Ronald McDonald House Charities of New Mexico, Inc. (the Organization) is a New Mexico nonprofit charitable corporation formed in 1982. 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 the 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 following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities.

Ronald McDonald House

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 program located in Albuquerque medical facilities. The thirty-room facility is on the campus of the University of New Mexico, which provides temporary lodging, meals, and other support to children and their families. During 2021, a twenty-room second location was opened across from Presbyterian Hospital in downtown Albuquerque. The program provides families with emotional and physical comfort, increases the caregivers' ability to spend more time with their child, allows for increased interaction with their clinical care team and to participate in critical medical care decisions.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program, located at the University of New Mexico's Children's Hospital and Presbyterian Hospital in downtown Albuquerque, serves as a place of respite, relaxation, and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be active members of their child's health care team.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The financial statements of the Organization 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. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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.

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.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the 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 and 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. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Changes in the valuation allowance have not been material to the financial statements. The Organization has recorded an allowance for uncollectible receivables of zero and $25,219 as of December 31, 2022, and 2021, respectively.

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. Contributions receivable are written off when deemed uncollectible.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

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 income are included in the statements of activities.

The Organization maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, on the date of donation. Additions of $5,000 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	30 - 40 Years
Office Furniture and Equipment	5 - 7 Years
Vehicles	5 Years

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances that 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.

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 on 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Income from sponsorships received in advance of future special events, that 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. The governing board has designated, from net assets without donor restrictions, net assets for the operating reserve and board-designated endowment.

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.

Revenue Recognition

The Organization's financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers.* Under ASC 2014-09, the Organization is required to recognize revenue to transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Revenue recognition for the Organization is as follows:

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. We report contributions restricted by donors 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Grants

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.

Contributions Received and Contributions Made

The Organization adopted FASB ASU No. 2018-08 – *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.
- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

In addition, this ASU also requires an organization to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome or whether a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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.

Third-party Reimbursements

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third-party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations that are satisfied based on actual charges incurred in relation to total expected collections.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was $15,659 and $4,880 for the years ended December 2022 and 2021, respectively.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, interest, maintenance and repairs, rent, and utilities, which are allocated on a square footage basis; meetings, education and training, office supplies, technology and telephone, which are allocated based on full-time equivalents; and salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of management's estimates of time and effort.

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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the 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 arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. As of December 31, 2022, there were no leases that were required to be shown as of right-of-use asset.

Adoption of New Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842).* This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. There were no leases that met the requirement of ASC 842 as of December 31, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Nonfinancial Assets

In September 2020, FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The Organization adopted ASU 2020-07 for the year ending December 31, 2022.

NOTE 3 - LIQUIDITY

The Organization has $1,577,180 and $1,477,632 of financial assets, as of December 31, 2022, and 2021, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date.

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

	2022	2021
Amounts due in:		
Less than One Year	$ 202,940	$ 255,221
One to Five Years	-	86,933
Total	$ 202,940	$ 342,154

NOTE 5 - 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 value of assets measured on a recurring basis as of December 31, 2022, are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	$ 283,644	$ -	$ -	$ 283,644
International Equity	334,858	-	-	334,858
Real Estate	118,103	-	-	118,103
Asset Allocation	264,168	-	-	264,168
Bonds	433,655	-	-	433,655
Exchange Traded Funds:				
Domestic Equity	363,557	-	-	363,557
Equity Securities:				
U.S Corporate	42,770	-	-	42,770
Total Assets	$ 1,840,755	$ -	$ -	$ 1,840,755

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

The fair value of assets measured on a recurring basis as of December 31, 2021, are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	$ 603,814	$ -	$ -	$ 603,814
International Equity	473,624	-	-	473,624
Global	53,325	-	-	53,325
Real Estate	113,050	-	-	113,050
Asset Allocation	199,321	-	-	199,321
Bonds	608,333	-	-	608,333
Exchange Traded Funds:				
Domestic Equity	382,608	-	-	382,608
Equity Securities:				
U.S Corporate	50,180	-	-	50,180
Total Assets	$ 2,484,255	$ -	$ -	$ 2,484,255

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair values for Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximate their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Investments

Overall Investment Objective

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. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors which oversees the Organization's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Organization may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real estate funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed; the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

Moreover, the fair values of the Organization's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Allocation of Investment Strategies (continued)

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2022, and 2021 is as follows:

	2022	2021
Interest and Dividend Income, Net	$ 82,049	$ 106,011
Realized and Unrealized (Losses) Gains, Net	(467,892)	209,216
Investment (Loss) Income, Net	$ (385,843)	$ 315,227

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2022	2021
Buildings and improvements	$ 10,082,700	$ 9,970,051
Furniture and equipment	407,339	407,339
Land improvements	141,328	141,328
Ronald McDonald Family Room	59,087	59,087
Vehicles	34,084	34,084
Total property and equipment	10,724,538	10,611,889
Accumulated depreciation	(4,020,953)	(3,736,508)
Property and equipment, net	$ 6,703,585	$ 6,875,381

NOTE 7 - BENEFICIAL USE OF LAND

In January 1982 (amended August 2007), the Organization entered into a lease agreement with the University of New Mexico Hospital (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The term of the lease was for a 50-year period that ends on August 31, 2057, with an aggregate annual base rent of $1.00. An independent appraisal determined that the fair value of the space at the time of inception was $450,000. The annual rental value was estimated to be approximately $11,500 per year. In connection with this lease

NOTE 7 - BENEFICIAL USE OF LAND (continued)

agreement, the Organization discounted the value of the 50-year initial term of the lease using a discount rate of approximately 4% and recorded a restricted contribution in 2007 in the amount of $450,000. The value remaining on the use of land as of December 31, 2022, and 2021 is $211,540 and $214,272, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2022, and 2021, rent expense of $11,500 was recorded in connection with this lease agreement.

NOTE 8 - EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. During the year December 31, 2022 and 2021, the Organization applied for the Employee Retention Credit (ERC) from the Internal Revenue Service. The Organization recognized $69,431 and $70,848 of grant revenue related to performance requirements being met in compliance with the program during the year ended December 31, 2022 and 2021, respectively.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization’s financial position.

NOTE 9 - ENDOWMENT FUNDS

The Organization's endowment consists of one individual fund established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the 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

NOTE 9- ENDOWMENT FUNDS (continued)

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 to make an annual distribution of 5%, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. 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.

Spending Policy – Donor-restricted endowment

The Organization has a policy of an amount equal to 50% of the annual investment return, computed using a three-year moving average, that may be distributed up to a maximum of 5% of total assets, with the remainder reinvested for future spending. Any income not spent in a given year can be reinvested for future spending. 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. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment funds to grow at an average rate of 5% annually.

NOTE 9 - ENDOWMENT FUNDS (continued)

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 returns. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Spending Policy – Board-designated endowment

The Organization has a policy of an amount equal to 50% of the annual investment return, computed using a three-year moving average, that may be distributed up to a maximum of 5% of total assets, with the remainder reinvested for future spending. Any income not spent in a given year can be reinvested for future spending.

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 260,951	$ 634,031	$ 894,982
Contributions	-	3,192	3,192
Endowment net assets, end of year	$ 260,951	$ 637,223	$ 898,174

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 260,951	$ 633,781	$ 894,732
Contributions	-	250	250
Endowment net assets, end of year	$ 260,951	$ 634,031	$ 894,982

NOTE 9 - ENDOWMENT FUNDS (continued)

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, 2022, and 2021.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditure for specific purpose:		
Program Activities:		
Ronald McDonald House	$ 46,354	$ 29,495
Beneficial Use of Land	211,540	214,272
	257,894	243,767
Subject to passage of time:		
For periods after December 31	156,586	304,259
Subject to the Organization's spending policy and appropriation:		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	637,223	634,031
Total - Ronald McDonald House Operations	637,223	634,031
Total net assets with donor restrictions	$ 1,051,703	$ 1,182,057

NOTE 11 - NET ASSETS 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 year ended December 31, 2022, and 2021:

	2022	2021
Purpose restrictions accomplished:		
Ronald McDonald House	$ 93,803	$ 211,220
Beneficial Use of Land	11,500	11,500
	105,303	222,720
Time restrictions expired:		
Passage of specified time	147,673	304,000
Total restrictions released	$ 252,976	$ 526,720

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes as of December 31:

	2022	2021
Board-Designated Endowment	$ 260,951	$ 260,951

NOTE 13 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the year ending December 31:

	2022	2021
Property and Equipment		
Family Room Space	$ 56,738	$ 56,738
Professional services	33,159	35,412
Event promotion and gifts	-	24,220
Land lease	7,809	10,993
Total Contributed Nonfinancial Assets	$ 97,706	$ 127,363

NOTE 13 - CONTRIBUTED NONFINANCIAL ASSETS (continued)

- The Organization recognized contributed nonfinancial assets within revenue, including property and equipment, office equipment and supplies, family support supplies, utilities, auction 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 rent is for the office space which is used for general and administrative activities. In valuing the contributed office space, which is located in Albuquerque, New Mexico, the Organization estimated the fair value on the basis of recent comparable sales prices in Albuquerque, New Mexico's real estate market. If a lease term, include - The amount of contributed rent over the remaining lease term is reported as contributions receivable in the accompanying statements of financial position, and the related rent expense is recorded straight line over the life of the lease in the accompanying statements of activities.
- 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 professional services from attorneys advising the Organization on various administrative legal matters and from accountants providing bookkeeping services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal and accounting services.
- Contributed food, household goods, and clothing were utilized in the following programs: Ronald McDonald House and Ronald McDonald Family Room. 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.
- Contributed utilities, such as electricity, gas, internet and telephone are used for general and administrative, fundraising, and programmatic activities. They are valued based on current rates for similar utilities.

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.

NOTE 14 - TAX-DEFERRED ANNUITY PLAN

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes 4% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were $17,557 and $19,898 for the years ended December 31, 2022, and 2021, respectively.

NOTE 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% (100% for FY 21) of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2022, and 2021, the Organization received $55,821 and $139,077, respectively, from these revenue streams.

NOTE 16 – BOARD-DESIGNATED ENDOWMENT OPTION

The Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation. Amounts from its board-designated endowment could be made available if necessary. The board-designated endowment has a spending rate of 5%. As of December 31, 2022, and 2021, $260,951 of appropriations from the board-designated endowment were available within the next 12 months.

NOTE 17 - EXPENSE RATIOS

The following represents the ratio of program and supporting expenses to total expenses for the years ended December 31:

	2022	2021
Program services	75%	79%
Supporting services:		
Management and general	8%	4%
Fundraising	15%	15%
Cost of Direct Benefits to Donors	2%	2%
Total supporting services	25%	21%
Total	100%	100%

NOTE 18 – SPECIAL EVENTS

The Organization has fundraising activities that are classified as special events. This revenue is presented net of direct benefit expenses in the statement of activities. The revenue and related expenses from fundraising activities are as follows for the year ended December 31, 2022.

	Revenue	Direct Benefit Expenses	Net Revenue
Swing Fore the House	$ 61,348	14,769	$ 46,579
Other	13,901	19,992	(6,091)
Total	$ 75,249	$ 34,761	$ 40,488

The revenue and related expenses from fundraising activities are as follows for the year ended December 1, 2021.

	Revenue	Direct Benefit Expenses	Net Revenue
Swing Fore the House	$ 59,172	$ 37,885	$ 21,287
Other	25,753	7,971	17,782
Total	$ 84,925	$ 45,856	$ 39,069

NOTE 19 - SUBSEQUENT EVENTS

Management evaluated subsequent events through March 8, 2023, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.