Ronald McDonald House Charities of Greater Chattanooga, Inc.

Financial Statements
Years ended December 31, 2025 and 2024

With Independent Auditors' Report

Ronald McDonald House Charities of Greater Chattanooga, Inc.

Contents

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Tiffany Commons – Chief Operations Officer

SMITH+HOWARD PC

Independent Auditors' Report

Board of Directors of
Ronald McDonald House Charities of Greater Chattanooga, Inc.
Chattanooga, Tennessee

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Chattanooga, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, 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 the Organization as of December 31, 2025 and 2024, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; this includes 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 the Organization's ability to continue as a going concern for one year after the date of this report

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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 there 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 can arise from fraud or error and 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 Organization'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 Organization'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 audits.

Smith and Howard, PC

Chattanooga, Tennessee
July 16, 2026

Ronald McDonald House Charities of Greater Chattanooga, Inc.

Statements of Financial Position

December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 606,495	$ 464,159
Contributions receivable	98,250	-
ERTC receivable	-	83,658
Prepaid expenses	49,118	38,481
Investments	261,197	429,941
Other assets	-	6,274
Endowments	6,693,480	6,050,730
Property and equipment, net	2,579,396	2,259,745
Beneficial use of land	21,330	33,510
Total assets	$ 10,309,266	$ 9,366,498
Liabilities		
Accounts payable	$ 125,382	$ 71,928
Other liabilities	95,834	35,406
Deferred revenue	21,850	55,750
Total liabilities	243,066	163,084
Net Assets		
Without donor restrictions	7,385,219	6,587,938
With donor restrictions	2,680,981	2,615,476
Total net assets	10,066,200	9,203,414
Total liabilities and net assets	$ 10,309,266	$ 9,366,498

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

Ronald McDonald House Charities of Greater Chattanooga, Inc.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues and Gains:			
Contributions	$ 2,174,384	$ 6,004	$ 2,180,388
Special events revenue	1,121,309	-	1,121,309
Investment return, net	535,733	253,040	788,773
Interest income	13,734	-	13,734
Net assets released from restrictions	193,539	(193,539)	-
Total public support, revenues and gains	4,038,699	65,505	4,104,204
Expenses			
Program services	1,945,821	-	1,945,821
Cost of direct benefits to donors	272,834	-	272,834
General and administration	485,243	-	485,243
Fundraising	524,762	-	524,762
Total expenses	3,228,660	-	3,228,660
Other Changes			
Loss on disposal of property and equipment	12,758	-	12,758
Total other changes	12,758	-	12,758
Change in net assets	797,281	65,505	862,786
Net Assets, beginning of year	6,587,938	2,615,476	9,203,414
Net Assets, end of year	$ 7,385,219	$ 2,680,981	$ 10,066,200

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

Ronald McDonald House Charities of Greater Chattanooga, Inc.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues and Gains:			
Contributions	$ 1,496,049	$ 31,804	$ 1,527,853
Special events revenue	1,090,393	-	1,090,393
Investment return, net	395,731	177,514	573,245
Interest income	4,192	-	4,192
Net assets released from restrictions	296,663	(296,663)	-
Total public support, revenues and gains	3,283,028	(87,345)	3,195,683
Expenses			
Program services	1,810,575	-	1,810,575
Cost of direct benefits to donors	257,599	-	257,599
General and administration	389,444	-	389,444
Fundraising	450,632	-	450,632
Total expenses	2,908,250	-	2,908,250
Other Changes			
Loss on disposal of property and equipment	105,444	-	105,444
Total other changes	105,444	-	105,444
Change in net assets	269,334	(87,345)	181,989
Net Assets, beginning of year	6,318,604	2,702,821	9,021,425
Net Assets, end of year	$ 6,587,938	$ 2,615,476	$ 9,203,414

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

Ronald McDonald House Charities of Greater Chattanooga, Inc.

Statement of Functional Expenses

Year ended December 31, 2025

	Program Services					Supporting Services			
	Ronald McDonald House	Ronald McDonald Family Room	Grants and Scholarships	House to Home Program	Total	Cost of Direct Benefit to Donors	General and Administration	Fundraising	Total
Salaries	$ 612,787	$ 254,908	$ 59,238	$ 53,352	$ 980,285	$ -	$ 108,572	$ 280,678	$ 1,369,535
Employee benefits	65,305	13,043	4,985	6,545	89,878	-	64,895	18,856	173,629
Payroll taxes	51,445	20,087	4,606	4,348	80,486	-	7,796	22,271	110,553
Fundraising events	7,454	-	-	-	7,454	265,814	1,820	23,196	298,284
Advertising	638	777	-	-	1,415	2,850	37,140	12,971	54,376
Direct mail	-	-	-	-	-	-	-	139,770	139,770
Automobile	1,049	-	-	-	1,049	38	218	32	1,337
Dues and subscriptions	22,139	-	-	365	22,504	285	12,380	-	35,169
Equipment, rental and maintenance	2,137	-	-	-	2,137	-	-	-	2,137
Food	30,924	-	-	-	30,924	193	2,113	-	33,230
In-kind usage	54,299	-	-	-	54,299	-	-	-	54,299
Insurance	-	-	-	-	-	-	37,331	-	37,331
Licenses and fees	344	-	-	15	359	-	77	14,186	14,622
Maintenance and repairs	81,457	-	-	450	81,907	-	8,763	-	90,670
Meetings, education, and training	9,251	-	-	-	9,251	16	6,243	-	15,510
Office supplies	10,072	403	-	122	10,597	125	38,787	25	49,534
Professional fees	145,709	-	-	-	145,709	1,722	72,787	3,852	224,070
Rent	12,181	-	-	-	12,181	-	-	-	12,181
Scholarships administration	-	-	9,500	-	9,500	-	-	-	9,500
Scholarships	-	-	42,320	-	42,320	-	-	-	42,320
Supplies	31,081	106	-	35	31,222	-	2,497	-	33,719
Technology	12,330	-	-	-	12,330	-	34,127	4,437	50,894
Travel, meals, and entertainment	8,138	2,687	109	3,329	14,263	-	1,705	1,730	17,698
Utilities	111,586	2,376	432	720	115,114	1,568	9,127	2,758	128,567
Volunteer resources and recognition	1,474	-	-	-	1,474	223	3,650	-	5,347
Total expenses before depreciation	1,271,800	294,387	121,190	69,281	1,756,658	272,834	450,028	524,762	3,004,282
Depreciation	189,163	-	-	-	189,163	-	35,215	-	224,378
Total expenses	$ 1,460,963	$ 294,387	$ 121,190	$ 69,281	$ 1,945,821	$ 272,834	$ 485,243	$ 524,762	$ 3,228,660

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

Ronald McDonald House Charities of Greater Chattanooga, Inc.
Statement of Functional Expenses
Year ended December 31, 2024

	Program Services					Supporting Services			
	Ronald McDonald House	Ronald McDonald Family Room	Grants and Scholarships	House to Home Program	Total	Cost of Direct Benefit to Donors	General and Administration	Fundraising	Total
Salaries	$ 516,444	$ 250,217	$ 53,968	$ 14,058	$ 834,687	$ -	$ 94,798	$ 205,184	$ 1,134,669
Employee benefits	44,129	25,816	4,129	-	74,074	-	68,919	3,901	146,894
Payroll taxes	40,726	19,416	4,196	1,233	65,571	-	7,506	15,303	88,380
Fundraising events	5,513	-	-	-	5,513	239,873	-	51,116	296,502
Advertising	412	-	-	176	588	8,290	1,025	13,532	23,435
Direct mail	-	-	-	-	-	-	-	130,598	130,598
Automobile	1,345	-	-	-	1,345	-	226	-	1,571
Dues and subscriptions	25,155	-	-	-	25,155	-	18,018	-	43,173
Equipment, rental and maintenance	9,350	-	-	2,275	11,625	-	-	-	11,625
Food	48,943	-	-	-	48,943	390	5,023	-	54,356
In-kind usage	91,268	-	-	-	91,268	6,446	-	-	97,714
Insurance	-	-	-	-	-	-	32,895	-	32,895
Licenses and fees	400	-	-	-	400	-	2,015	8,814	11,229
Maintenance and repairs	59,445	392	-	-	59,837	-	15,520	-	75,357
Meetings, education, and training	6,526	257	13	150	6,946	-	18,215	60	25,221
Office supplies	8,297	-	-	-	8,297	1,421	30,098	1,777	41,593
Professional fees	154,714	-	-	-	154,714	57	65,670	1,926	222,367
Rent	12,180	-	-	-	12,180	-	-	-	12,180
Scholarships administration	-	-	9,500	-	9,500	-	-	-	9,500
Scholarships	-	-	44,000	-	44,000	-	-	-	44,000
Supplies	16,941	-	-	78	17,019	-	226	-	17,245
Technology	11,634	-	-	-	11,634	-	13,054	15,512	40,200
Travel, meals, and entertainment	6,087	3,890	382	141	10,500	-	10,135	1,225	21,860
Utilities	107,171	1,609	421	222	109,423	1,022	4,014	1,684	116,143
Volunteer resources and recognition	2,775	-	-	-	2,775	100	2,087	-	4,962
Total expenses before depreciation	1,169,455	301,597	116,609	18,333	1,605,994	257,599	389,444	450,632	2,703,669
Depreciation	197,737	6,844	-	-	204,581	-	-	-	204,581
Total expenses	$ 1,367,192	$ 308,441	$ 116,609	$ 18,333	$ 1,810,575	$ 257,599	$ 389,444	$ 450,632	$ 2,908,250

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

Ronald McDonald House Charities of Greater Chattanooga, Inc.

Statements of Cash Flows

Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 862,786	$ 181,989
Adjustments to reconcile change in net assets		
to net cash provided (required) by operating activities:		
Depreciation	224,378	204,581
Loss on disposal of property and equipment	12,758	105,444
Amortization of beneficial use of land	12,180	12,180
Net realized and unrealized gain on investments	(788,773)	(573,245)
(Increase) decrease in operating assets:		
Contributions receivable	(98,250)	-
ERTC receivable	83,658	-
Prepaid expenses	(13,637)	11,092
Other assets	6,274	2,246
Increase (decrease) in operating liabilities:		
Accounts payable	53,454	2,290
Other liabilities	60,428	(9,130)
Deferred revenue	(33,900)	55,750
Net cash provided (required) by operating activities	381,356	(6,803)
Cash flows from investing activities		
Purchases of investments	(1,431,961)	(825,292)
Proceeds from sale of investments	1,749,728	888,703
Purchases of property and equipment	(556,787)	(124,386)
Net cash required by investing activities	(239,020)	(60,975)
Net change in cash and cash equivalents	142,336	(67,778)
Cash and cash equivalents, beginning of year	464,159	531,937
Cash and cash equivalents, end of year	$ 606,495	$ 464,159

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

Note 1. Nature of Business and Significant Accounting Policies

Ronald McDonald House Charities of Greater Chattanooga, Inc. (the "Organization") is a Tennessee nonprofit charitable organization formed in 1990. The mission of the Organization is to provide families with children facing critical illness or injury with the care and resources they need.

Through the generous support of donors, the Organization fulfills its mission through operation of sustainable programs that provide a vital part of the health care continuum to strengthen families during difficult times. The following programs represent the core functions of the Organization:

Ronald McDonald House

The core of the Organization's mission stands as a legacy of compassion and comfort for families facing the challenges of pediatric medical care. The Organization's 28-bedroom facility offers comfortable, convenient, and free lodging accommodations that guarantee a hot meal every single night and a community environment for families. Serving families with critically ill or injured children, the House is located directly across the street from the Children's Hospital at Erlanger.

Ronald McDonald Family Room

In partnership with their medical partner, Children's Hospital at Erlanger, the Ronald McDonald Family Room provides a space within the hospital, that is open for hospital guests desiring to remain at the bedside of a sick loved one. The Ronald McDonald Family Room is a testament to the Organization's commitment to being wherever families need them most. This space is for families to recharge while their loved one is receiving the care they need.

Grants and Scholarships

The Organization administers a grant and scholarship program to area high school seniors that attend school within the footprint of our regionally supported McDonald's restaurants. We partner with the Community Foundation of Greater Chattanooga. The scholarships recognize students who demonstrate academic achievement, need for support, leadership, and a commitment to community service. This program extends the Organization's impact by investing in the health, education, and future success of children and families.

House to Home Program

The Organization's newest program initiative launched as a partnership with the YMCA of Metropolitan Chattanooga in March 2024. The House to Home Program, available in Bradley County, Tennessee, at the Cleveland Family YMCA, offers families who have left the hospital an opportunity to learn more about the services they have access to once they travel home after a traumatic experience. Part of the Continuum of Care, the House to Home Program supports families throughout their child's wellness journey. This program offers comprehensive medical-related navigation services.

Basis of Accounting:

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Note 1. Nature of Business and Significant Accounting Policies, Continued

Financial Statement Presentation:

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence of or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. All contributions are considered to be without donor-imposed restrictions unless specifically restricted by the donor.

- Net assets 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 such resources be maintained in perpetuity.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Revenue and Revenue Recognition:

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met.

Program revenues are generally recognized when services are rendered. The Organization recognizes revenue from fundraising on the day of a fundraising event.

All non-cash gifts are recorded as in-kind donations at their estimated fair value at the date of receipt. Such donations are reported as donations without donor restrictions unless the donor has restricted the donated asset to a specific purpose. In-kind donations include food, supplies, and services.

Cash and Cash Equivalents:

Cash and cash equivalents include cash deposits in checking, money market accounts, and all other highly liquid investments that mature within three months of the financial statement position date.

Contributions Receivable:

Contributions receivable consist of donor contributions dated in December 2025 and recognized as revenue during the year ended December 31, 2025, with cash received in January 2026.

Note 1. Nature of Business and Significant Accounting Policies, Continued

Endowments:

Endowments are shown at their fair values in the statements of financial position. Investment return shown in the statements of activities and changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Investment income that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions.

Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Additions and improvements that significantly extend the lives of assets are capitalized. Upon the sale or other retirement of depreciable property, the related cost and associated accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets.

Deferred Revenue:

Deferred revenue represents amounts collected for event ticket sales and other fundraising activities that have not yet occurred.

Income Taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before December 31, 2022.

Allocation of Functional Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include salaries and benefits, occupancy, depreciation and other shared costs. These expenses are allocated on the basis of estimates of time and effort.

Reclassifications:

Certain balances in the 2024 financial statements and footnotes were reclassified to conform with the 2025 financial statement presentation.

Advertising:

Advertising costs are expensed when incurred. Advertising expense totaled $54,376 and $23,435 as of December 31, 2025, and 2024, respectively.

Note 2. Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consists primarily of cash and cash equivalents, accounts, and contributions receivable. At times, cash and cash equivalents exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Note 3. Liquidity and Availability

The Organization is substantially supported by unrestricted contributions, as well as by investment earnings on restricted endowments. The majority of contributions do not have donor restrictions. The Organization maintains sufficient resources to fund ongoing operations. All net assets with donor restrictions have purpose restrictions that are to be met in more than a year or are not meant to be available for general expenditures. Therefore, all endowments have been excluded from financial assets available for general expenditure within one year.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor restricted resources or, where appropriate, borrowings.

Financial assets available for general expenditures within one year of the statements of financial position date as of December 31, 2025, and 2024, are as follows:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	$ 606,495	$ 464,159
Contributions receivable	98,250	-
ERTC receivable	-	83,658
Investments	261,197	429,941
Other assets	-	6,274
Endowments	6,693,480	6,050,730
Total financial assets	7,659,422	7,034,762
Adjustments:		
Less: Net assets with donor restrictions	2,680,981	2,615,476
Less: Net assets with board designations	4,104,313	3,662,103
	6,785,294	6,277,579
Financial assets available to meet general expenditures over the next twelve months	$ 874,128	$ 757,183

Note 4. Investments and Endowments

As of December 31, 2025, and 2024, investments and endowments consist of mutual funds, real assets and cash equivalents, and are categorized as follows:

	2025	2024
Investments	$ 261,197	$ 429,941
Endowments	6,693,480	6,050,730
	$ 6,954,677	$ 6,480,671

The following table summarizes the investment return in the statements of activities and changes in net assets for 2025 and 2024:

	2025	2024
Net gain on endowments and investments	$ 543,889	$ 395,731
Interest and dividend income	244,884	177,514
	$ 788,773	$ 573,245

Note 5. Endowments

GAAP requires the following financial statement disclosures for the Organization:

Classification of net assets

Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and policies established by the Board of Directors.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted in the state of Tennessee, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

Note 5. Endowments, Continued

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

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

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Organization, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization currently has no specific policy as to percent or amount to appropriate for expenditure each year. However, in accordance with the stipulations of the donors, its procedure has been not to distribute more than the total return on the funds for the current year. The Organization expects the current spending policy to allow its endowments to continue to increase in value.

Note 5. Endowments, Continued

Endowment net assets composition by type of fund as of December 31, 2025, and 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds - original gift	$ -	$ 1,449,367	$ 1,449,367
Donor restricted endowment funds - accumulated earnings	-	1,139,800	1,139,800
Board designated endowment funds	4,104,313	-	4,104,313
Total endowment funds December 31, 2025:	$ 4,104,313	$ 2,589,167	$ 6,693,480

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds - original gift	$ -	$ 1,449,367	$ 1,449,367
Donor restricted endowment funds - accumulated earnings	-	939,260	939,260
Board designated endowment funds	3,662,103	-	3,662,103
Total endowment funds December 31, 2024:	$ 3,662,103	$ 2,388,627	$ 6,050,730

Changes in endowment net assets for the year ended December 31, 2025, and 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 3,662,103	$ 2,388,627	$ 6,050,730
Investment return, net	519,063	253,040	772,103
Contributions	371,700	3,000	374,700
Appropriation of endowment assets for expenditure	(448,553)	(55,500)	(504,053)
Year ended December 31, 2025:	$ 4,104,313	$ 2,589,167	$ 6,693,480

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 3,357,060	$ 2,304,612	$ 5,661,672
Investment return, net	379,146	177,515	556,661
Contributions	25,897	-	25,897
Appropriation of endowment assets for expenditure	(100,000)	(93,500)	(193,500)
Year ended December 31, 2024:	$ 3,662,103	$ 2,388,627	$ 6,050,730

Note 6. Assets and Liabilities Measured at Fair Value

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are held in agency accounts at various banks and investment firms and are carried at their fair market value.

The fair values of endowments and investments as of December 31, 2025 are as follows:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 693,275	$ -	$ -	$ 693,275
Mutual funds - equity	4,156,298	-	-	4,156,298
Mutual funds - bonds	1,953,126	-	-	1,953,126
Real assets	151,978	-	-	151,978
Endowments and investments at fair value	$ 6,954,677	$ -	$ -	$ 6,954,677

The fair values of endowments and investments as of December 31, 2024 are as follows:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 655,639	$ -	$ -	$ 655,639
Mutual funds - equity	3,664,888	-	-	3,664,888
Mutual funds - bonds	1,973,615	-	-	1,973,615
Real assets	186,529	-	-	186,529
Endowments and investments at fair value	$ 6,480,671	$ -	$ -	$ 6,480,671

Note 7. Property and Equipment

Property and equipment as of December 31, 2025, and 2024, consisted of the following:

	2025	2024
Buildings and family room	$ 5,246,908	$ 5,062,915
Equipment	202,717	169,958
Vehicles	55,967	62,687
Leasehold improvements	663,066	529,646
Furniture and fixtures	489,616	349,770
Land improvements	49,747	33,779
Construction in progress	-	9,694
	6,708,021	6,218,449
Less accumulated depreciation	(4,128,625)	(3,958,704)
	$ 2,579,396	$ 2,259,745

Depreciation expense for the years ended December 31, 2025, and 2024 totaled $224,378 and $204,581, respectively.

Note 8. Beneficial Use of Land

In June 1994, the Organization entered into an agreement with the Chattanooga-Hamilton County Hospital Authority which allows the Organization the use of the land on which the house is located for a 399-month period ending September 2027. The fair value of the property was $405,000 at the inception of the agreement. This value was originally recorded as a contribution and is being amortized over the term of the agreement. The value remaining on the use of land as of December 31, 2025, and 2024 is $21,330 and $33,510, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2025, and 2024, amortization of $12,180 was recorded in connection with this agreement. The Organization also has an agreement with the Chattanooga-Hamilton County Hospital Authority which allows the Organization to staff a family-like room within the Erlanger Medical Center for families of seriously ill and injured children. The agreement provides for the Organization to use the space for the room at no charge, subject to negotiation between the parties on an annual basis.

Note 9. Net Assets

Net assets are comprised of the following as of December 31, 2025, and 2024:

	2025	2024
Without donor restrictions:		
Without donor restrictions, undesignated	$ 3,280,906	$ 2,925,835
Without donor restrictions, board designated for endowment	4,104,313	3,662,103
Total net assets without donor restrictions	$ 7,385,219	$ 6,587,938
With donor restrictions:		
Purpose restrictions:		
Ronald McDonald House Food Program	$ 70,484	$ 98,404
Beneficial Use of Land	21,330	33,510
Capital Projects	-	94,942
Total purpose restrictions	$ 91,814	$ 226,856
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	$ 496,250	$ 496,250
Rainy Day Endowment:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	100,000	100,000
Mary's Pantry Endowment:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	273,211	273,211
Accumulated gain	379,226	297,497
Total Mary's Pantry endowment	652,437	570,708
Scholarship Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	579,905	579,905
Accumulated gain	760,575	641,757
Total scholarships	1,340,480	1,221,662
	2,589,167	2,388,620
Total net assets with donor restrictions	$ 2,680,981	$ 2,615,476

Note 10. 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, 2025, and 2024:

	2025	2024
Purpose restrictions accomplished:		
Scholarship	$ 55,500	$ 96,500
Beneficial use of land	12,180	12,180
Food program	30,924	54,357
Capital projects	94,935	133,626
Total restrictions released	$ 193,539	$ 296,663

Note 11. 401(k) Plan

The Organization has a 401(k) plan for the benefit of its employees. An employee must be at least 21 years of age and have 90 days of service with the Organization to be eligible to participate in the plan. Employer contributions are an amount equal to employee contributions up to 6% of an employee's compensation. The Organization made contributions in the amount of $43,305 and $38,993, for the years ended December 31, 2025, and 2024, respectively.

Note 12. Related Parties

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2025, and 2024, the Organization received $699,537 and $500,641 from these revenue streams, respectively.

The Organization receives cash contributions from various board members. Cash contributions received from board members totaled $78,989 and $74,959 for the years ended December 31, 2025, and 2024, respectively.

Note 13. Contributed Nonfinancial Assets

The Organization received contributed nonfinancial assets during the year ended December 31, 2025. The estimated fair value is included as contribution revenue and the corresponding expense categories. Contributed nonfinancial assets for the years ended December 31, 2025, and 2024 are as follows:

	2025	2024
Supplies	$ 27,535	$ 49,429
Food	14,764	19,485
Telephone	12,000	28,800
Total	$ 54,299	$ 97,714

Note 14. Employee Retention Tax Credit

During the year ended December 31, 2022, the Organization filed for the Employee Retention Tax Credit. The amount not yet received as of December 31, 2025, and 2024 was $0 and $83,658, respectively.

Note 15. Subsequent Events

The Organization has evaluated subsequent events through July 16, 2026, the date the financial statements were available to be issued.