

Ronald McDonald House Charities of Richmond, Virginia, Inc.

Financial Statements

December 31, 2021 and 2020



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RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ronald McDonald House Charities of Richmond, Virginia, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Richmond, Virginia, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 audits.
- 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 audits 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

A handwritten signature in black ink, appearing to read "Keiter", with a stylized flourish at the end.

September 1, 2022
Glen Allen, Virginia

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Financial Position
December 31, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 882,197	\$ 363,673
Contributions receivable	124,999	86,168
Pledge receivable - current	70,000	-
Prepaid expenses	2,299	2,190
Total current assets	1,079,495	452,031
Property and equipment - net	367,033	368,856
Other assets:		
Pledge receivable - noncurrent, net	201,872	-
Investments	3,038,361	2,991,207
Deposit	2,086	2,086
Total other assets	3,242,319	2,993,293
Total assets	\$ 4,688,847	\$ 3,814,180
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 56,431	\$ 50,094
Net assets:		
Without donor restrictions	2,981,315	2,538,793
With donor restrictions	1,651,101	1,225,293
Total net assets	4,632,416	3,764,086
Total liabilities and net assets	\$ 4,688,847	\$ 3,814,180

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Activities
Year Ended December 31, 2021, with Comparative Totals for 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains (losses), and other support:				
Gross revenue from special events	\$ 525,014	\$ -	\$ 525,014	\$ 312,668
Less cost of direct benefits to donors	(103,118)	-	(103,118)	(36,256)
Net revenue from special events	421,896	-	421,896	276,412
Contributions	985,484	343,872	1,329,356	835,830
Room donations	1,130	-	1,130	5,800
Paycheck Protection Program grant (see Note 7)	-	-	-	123,100
Employee retention credit (See Note 8)	79,301	-	79,301	-
In-kind contributions	148,734	-	148,734	160,833
Investment income	142,988	18,269	161,257	103,396
Unrealized and realized gains on investments - net	41,571	105,233	146,804	279,354
Loss on disposal of property and equipment	-	-	-	(4,502)
Other income	121	-	121	145
Total revenues, gains (losses), and other support	1,821,225	467,374	2,288,599	1,780,368
Net assets released from restriction	41,566	(41,566)	-	-
Expenses:				
Program services:				
House	772,621	-	772,621	776,418
Family room	249,567	-	249,567	123,128
Other program services	68,496	-	68,496	62,945
Supporting services:				
Management and general	96,832	-	96,832	108,739
Fund-raising	232,753	-	232,753	228,743
Total expenses	1,420,269	-	1,420,269	1,299,973
Change in net assets	442,522	425,808	868,330	480,395
Net assets, beginning of year	2,538,793	1,225,293	3,764,086	3,283,691
Net assets, end of year	<u>\$ 2,981,315</u>	<u>\$ 1,651,101</u>	<u>\$ 4,632,416</u>	<u>\$ 3,764,086</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support:			
Gross revenue from special events	\$ 312,668	\$ -	\$ 312,668
Less cost of direct benefits to donors	(36,256)	-	(36,256)
Net revenue from special events	276,412	-	276,412
Contributions	835,830	-	835,830
Room donations	5,800	-	5,800
Paycheck Protection Program grant (see Note 7)	123,100	-	123,100
In-kind contributions	160,833	-	160,833
Investment income	74,286	29,110	103,396
Unrealized and realized gains on investments - net	241,748	37,606	279,354
Loss on disposal of property and equipment	(4,502)	-	(4,502)
Other income	145	-	145
Total revenues, gains (losses), and other support	1,713,652	66,716	1,780,368
Net assets released from restriction	6,255	(6,255)	-
Expenses:			
Program services:			
House	776,418	-	776,418
Family room	123,128	-	123,128
Other program services	62,945	-	62,945
Supporting services:			
Management and general	108,739	-	108,739
Fund-raising	228,743	-	228,743
Total expenses	1,299,973	-	1,299,973
Change in net assets	419,934	60,461	480,395
Net assets, beginning of year	2,118,859	1,164,832	3,283,691
Net assets, end of year	\$ 2,538,793	\$ 1,225,293	\$ 3,764,086

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 868,330	\$ 480,395
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	62,781	69,003
Cash collections for capital campaign	(70,000)	-
Loss on disposal of property and equipment	-	4,502
Unrealized and realized gains on investments - net	(146,804)	(279,354)
Capitalized in-kind contributions	(1,443)	(3,200)
Securities donated	(5,627)	(4,091)
Changes in operating assets and liabilities:		
Contributions receivable	(38,831)	(37,910)
Pledge receivable	(271,872)	-
Prepaid expenses	(109)	(104)
Accounts payable and accrued liabilities	6,337	7,832
Grant payable	-	(50,000)
	<u>402,762</u>	<u>187,073</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(150,330)	(1,483,229)
Proceeds from sale and maturities of investments	255,607	1,501,033
Purchases of property and equipment	(59,515)	(12,671)
	<u>45,762</u>	<u>5,133</u>
Net cash provided by investing activities		
Cash flow from financing activities:		
Cash collections for capital campaign	<u>70,000</u>	<u>-</u>
	<u>70,000</u>	<u>-</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	518,524	192,206
Cash and cash equivalents, beginning of year	<u>363,673</u>	<u>171,467</u>
Cash and cash equivalents, end of year	<u>\$ 882,197</u>	<u>\$ 363,673</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statements of Functional Expenses
Year Ended December 31, 2021, with Comparative Totals for 2020

	2021						2020
	Program Services			Supporting Services			Total Expenses
	House	Family Room	Other Program Services	Management and General	Fund-raising	Total Expenses	
Personnel	\$ 403,782	\$ 167,511	\$ 52,477	\$ 53,311	\$ 136,194	\$ 813,275	\$ 719,919
Advertising	9,554	-	-	-	6,645	16,199	5,915
Household and administrative expenses	128,012	65,180	14,096	5,920	15,123	228,331	172,993
Repairs and maintenance	14,879	10	3	3	8	14,903	12,418
Depreciation	62,781	-	-	-	-	62,781	69,003
Professional services	-	-	-	33,323	-	33,323	47,029
Utilities	18,604	-	-	-	-	18,604	16,710
Contractual services	26,846	10,738	-	-	69,800	107,384	106,834
Insurance	7,135	2,959	927	942	2,406	14,369	14,108
Household supplies	80,782	-	-	-	-	80,782	114,526
Travel and conference	4,729	1,962	615	624	1,595	9,525	5,220
Telephone	6,886	-	-	-	-	6,886	5,478
Miscellaneous	7,605	1,207	378	2,709	982	12,881	7,815
Volunteer	1,026	-	-	-	-	1,026	2,005
Total expenses	\$ 772,621	\$ 249,567	\$ 68,496	\$ 96,832	\$ 232,753	\$ 1,420,269	\$ 1,299,973

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Statement of Functional Expenses
Year Ended December 31, 2020

	2020					
	Program Services			Supporting Services		
	House	Family Room	Other Program Services	Management and General	Fund-raising	Total Expenses
Personnel	\$ 366,832	\$ 101,210	\$ 56,657	\$ 55,106	\$ 140,114	\$ 719,919
Advertising	2,281	-	-	-	3,634	5,915
Household and administrative expenses	139,358	9,665	5,410	5,180	13,380	172,993
Repairs and maintenance	12,289	38	21	17	53	12,418
Depreciation	69,003	-	-	-	-	69,003
Professional services	-	-	-	47,029	-	47,029
Utilities	16,710	-	-	-	-	16,710
Contractual services	26,709	10,683	-	-	69,442	106,834
Insurance	14,108	-	-	-	-	14,108
Household supplies	114,526	-	-	-	-	114,526
Travel and conference	2,224	883	494	397	1,222	5,220
Telephone	5,478	-	-	-	-	5,478
Miscellaneous	4,895	649	363	1,010	898	7,815
Volunteer	2,005	-	-	-	-	2,005
Total expenses	\$ 776,418	\$ 123,128	\$ 62,945	\$ 108,739	\$ 228,743	\$ 1,299,973

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements

1. Organization and Nature of Activities:

Ronald McDonald House Charities of Richmond, Virginia, Inc. (the "Organization") was incorporated as a nonprofit organization in 1978 for charitable purposes to provide temporary housing at the Richmond, Virginia Ronald McDonald House and other assistance to families of children with serious illnesses or other health issues.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 differ from those estimates and assumptions.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Dividends and interest are recorded as revenue when earned. Gains and losses on sales of securities are calculated using the specific identification method and recorded on the trade date.

Pledges and Contributions Receivable: Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. An allowance is provided for amounts estimated to be uncollectible. Management determined there was no allowance required at December 31, 2021 and 2020.

Pledges and contributions receivable that are due in the next year are recorded at their net realizable value. When required, pledges receivable that are due in subsequent years are reported at the estimated present value.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are recorded at cost or, if donated, at fair market value at the date of gift. Depreciation is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Buildings and improvements	25 – 39 years
Furniture, fixtures, and equipment	3 – 15 years

Impairment of Long-Lived Assets: The Organization reviews the carrying value of its long-lived assets whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recovery is evaluated by measuring the carrying value of the assets against the associated estimated undiscounted cash flows. The Organization did not record any impairment charge for 2021 or 2020.

Paycheck Protection Program Loan: The Organization's policy is to account for the Paycheck Protection Program loan (see Note 7) as debt. The Organization recorded the loan as debt until either (1) the loan was partially or entirely forgiven and the debtor has been legally released, at which point the amount forgiven was recorded into income as a grant or (2) the Organization paid off the loan.

Advertising: Advertising costs are expensed as incurred and totaled \$16,199 for 2021 and \$5,915 for 2020.

Contributed Materials and Services: The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed, amounted to \$148,734 in 2021 and \$160,833 in 2020 and have been recognized in the financial statements.

Income Tax: The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows the Financial Accounting Standards Board (“FASB”) guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Organization’s financial statements. In accordance with the guidance, the Organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities’ full knowledge of the facts and the Organization’s position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Organization’s analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Organization has completed its assessment and determined that there were no tax positions which would require recognition under the guidance. The Organization is not currently under audit by any tax jurisdiction.

Net Assets: The Organization classifies its net assets into two categories: net assets with donor restrictions and net assets without donor restrictions. The Organization reports amounts separately as follows.

Net assets without donor restrictions – Net assets currently available at the discretion of the Organization’s Board of Directors for use in the Organization’s operations and those resources invested in property or equipment.

Net assets with donor restrictions – Net assets resulting from support and revenue whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those donor-imposed stipulations, or are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Expense Allocation Methodology: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel and other expenses are allocated based on time and effort of identified employees. The Organization’s website and direct mail marketing campaign are allocated amongst program and fundraising expenses based on estimated use of their intended users. Other expenses are allocated based on management’s estimate of time and effort of identified employees involved in those functions.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, receivables, and investments. The Company maintains its cash in multiple financial institutions, one of which contains balances that periodically exceed federally insured limits. The Organization places its cash and cash equivalents and investments with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk. Receivables are pledged by an individual. The Organization believes their credit risk related to these receivables is limited due to the nature of the donor. Investments consist primarily of marketable equity securities, mutual funds, and corporate obligations which are not concentrated in any one company or industry. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term would affect the investment balances and the amount reported in the financial statements.

Subsequent Events: Management has evaluated subsequent events through September 1, 2022, the date the financial statements were available to be issued and has determined that there are no items to be disclosed.

3. Investments:

Investments are carried at fair value. The aggregate carrying amounts of investments by major type are summarized as follows at December 31:

	<u>2021</u>	<u>2020</u>
Corporate debt securities	\$ 72,113	\$ 73,088
Equity securities	75,082	88,190
Mutual funds	<u>2,891,166</u>	<u>2,829,929</u>
	<u>\$ 3,038,361</u>	<u>\$ 2,991,207</u>

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

4. Pledge Receivable:

The pledge receivable includes a capital pledge for the Organization's In-Hospital House capital campaign.

The pledge receivable as of December 31, 2021 is expected to be received as follows:

Receivable in less than one year	\$ 70,000
Receivable in two to five years	<u>210,000</u>
Total pledge receivable	280,000
Less discount of 2%	<u>(8,128)</u>
	<u><u>\$ 271,872</u></u>

There were no pledge receivables as of December 31, 2020.

5. Property and Equipment:

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

	<u>2021</u>	<u>2020</u>
Land	\$ 30,000	\$ 30,000
Buildings and improvements	996,229	986,824
Furniture and fixtures	311,356	319,927
Equipment	153,893	148,639
Construction in progress	<u>29,032</u>	<u>-</u>
	1,520,510	1,485,390
Less accumulated depreciation	<u>(1,153,477)</u>	<u>(1,116,534)</u>
	<u><u>\$ 367,033</u></u>	<u><u>\$ 368,856</u></u>

Depreciation expense was \$62,781 for 2021 and \$69,003 for 2020.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

6. Fair Value Measurements:

The Organization has adopted FASB guidance on fair value measurements. The provisions of the guidance provide a framework for measuring fair value under generally accepted accounting principles and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. There were no assets or liabilities classified as Level 3 at December 31, 2020.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Pledge receivable – Assets are valued at face value of amounts receivable from donors within one year. Assets are valued at the present value of cash flows receivable from donors in a time period greater than one year using a discount rate of 2%.

Equity securities – Common and preferred stock are valued at the closing price reported on a national exchange.

Corporate debt securities – Commercial notes and bonds are valued at the closing price on a national exchange.

Mutual funds – Funds invested in mutual funds are valued at the closing price reported on a national exchange.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

6. Fair Value Measurements, Continued:

The following tables set forth by level, within the fair value hierarchy, the Organization's investments measured at fair value:

	Investments at Fair Value as of			
	December 31, 2021:			
	Level 1	Level 2	Level 3	Total
Pledge receivable	\$ -	\$ -	\$ 271,872	\$ 271,872
Investments:				
Corporate debt securities	-	72,113	-	72,113
Equity securities	75,082	-	-	75,082
Mutual funds	2,891,166	-	-	2,891,166
Total	\$ 2,966,248	\$ 72,113	\$ 271,872	\$ 3,310,233

There were \$271,872 in Level 3 additions during 2021 related to current and non-current pledge receivables.

	Investments at Fair Value as of		
	December 31, 2020:		
	Level 1	Level 2	Total
Investments:			
Corporate debt securities	\$ -	\$ 73,088	\$ 73,088
Equity securities	88,190	-	88,190
Mutual funds	2,829,929	-	2,829,929
Total	\$ 2,918,119	\$ 73,088	\$ 2,991,207

7. Paycheck Protection Program Loan:

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program ("PPP") was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities during the covered period, as further defined in the CARES Act.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

7. Paycheck Protection Program Loan, Continued:

The Organization applied for and was approved for a PPP Loan in the amount of \$123,100. The loan was funded in April 2020. The Organization was eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements. The PPP Loan was uncollateralized and is fully guaranteed by the Federal government.

At December 31, 2020, the Organization had used the loan proceeds for qualifying costs, and in April 2021, the PPP Loan was fully forgiven. Based on these fact and circumstances, the Organization elected to recognize the loan forgiveness as of December 31, 2020 and reflect the \$123,100 as Paycheck Protection Program grant on the 2020 statement of activities.

8. Employee Retention Credit (“ERC”):

As part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), employers who had a partial or full suspension of operations related to the COVID-19 Pandemic were eligible for a refundable tax credit against certain employment taxes equal to a percentage of the qualified wages an employer paid between March 12, 2020 and September 30, 2020. Management believes that accounting treatment under ASC 958-605, Revenue Recognition, is the most appropriate treatment for the ERC. Under ASC 958-605, an entity can recognize the ERC income in the period that it determines the conditions for recognition have been substantially met, which requires an assessment to determine whether the process for filing the credit is more than or only an administrative barrier to receiving the credit. Once an entity has determined that conditions have been met, it can recognize the ERC as income in that period.

During the year ended December 31, 2021, the Organization applied for the Employee Retention Credit (ERC) from the Internal Revenue Service. The Organization recognized \$79,301 of grant revenue related to performance requirements being met in compliance with the program during the year ended December 31, 2021.

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.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

9. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for time or purpose or because the governing board has set aside the funds for a specific purpose. There are no board designated net assets as of December 31, 2021 or 2020.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 882,197	\$ 363,673
Contributions receivable	124,999	86,168
Pledge receivable	271,872	-
Investments	<u>3,038,361</u>	<u>2,991,207</u>
 Total financial assets	 4,317,429	 3,441,048
 Less those unavailable for general expenditure within one year due to:		
Donor imposed restrictions, where funds can only be used to support certain activities or programs	 <u>1,651,101</u>	 <u>1,225,293</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 2,666,328</u>	 <u>\$ 2,215,755</u>

The Organization has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations come due.

10. Endowment Funds:

The Organization's endowment consists of two individual funds. The funds are donor-restricted endowment funds and were established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted by the Virginia legislature in 2008. The law gives guidance for investments and spending practices, giving consideration of donor-intent and the Organization’s overall resources and charitable purpose. Based on management’s interpretation of law and in compliance with donor-intent, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment. Amounts are periodically withdrawn when appropriated for expenditure.

A summary of the activity in endowment funds for the years ended December 31, 2021 and 2020 is as follows:

	Net Assets with Donor Restrictions
Endowment net assets - January 1, 2020	\$ 621,081
Investment return:	
Investment income	18,926
Net realized and unrealized gains	42,859
Amounts appropriated for expenditure	<u>(6,255)</u>
Endowment net assets - December 31, 2020	676,611
Investment return:	
Investment income	17,275
Net realized and unrealized gains	106,972
Amounts appropriated for expenditure	<u>(14,099)</u>
Endowment net assets - December 31, 2021	<u>\$ 786,759</u>

At December 31, 2021 and 2020, the fair value of assets was above the level required to be held as net assets with donor restrictions. The minimum amounts required to be held in the endowment funds as of December 31, 2021 and 2020 were as follows:

	2021	2020
Pickard fund	\$ 15,000	\$ 15,000
Kroc fund	<u>518,750</u>	<u>518,750</u>
	<u>\$ 533,750</u>	<u>\$ 533,750</u>

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

10. Endowment Funds, Continued:

Endowment Investing and Spending Policies: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide long-term capital appreciation and total return. The Organization utilizes diversified investment classes that provide the opportunity to achieve the return objective without exposing the funds to unnecessary risk.

11. Net Assets with Donor Restrictions:

Net assets with donor restrictions consist of the following as of December 31:

	2021	2020
Operator's fund	\$ 547,937	\$ 548,682
Pickard fund	15,000	15,000
Kroc fund	771,759	661,611
Capital campaign for In-Hospital House	316,405	-
	<u>\$ 1,651,101</u>	<u>\$ 1,225,293</u>

Net assets within the Operator's fund have been provided by various McDonald restaurant owners/operators. The Organization must obtain approval from the owners/operators for expenditure of these funds. The Pickard and Kroc funds are endowment funds and are described in Note 10.

Net assets with donor restrictions released from restriction amounting to \$41,566 for 2021 and \$6,255 for 2020 consisted of amounts appropriated for expenditure from endowment funds and funds used for designated purposes.

12. Retirement Plan:

The Organization maintains a 403(b) plan for all employees who have met the applicable eligibility requirements and elect to participate. Employees are eligible to receive employer matching contributions upon completion of six months of full-time service. The Organization makes matching contributions, subject to service requirements, for participants in an amount equal to 100 percent of the first 4 percent of eligible compensation contributed to the plan. Both employee and employer contributions are subject to Internal Revenue Service maximum limits. The total expenses recorded for the Organization's match was \$18,653 for 2021 and \$10,743 for 2020.

RONALD MCDONALD HOUSE CHARITIES OF RICHMOND, VIRGINIA, INC.

Notes to Financial Statements, Continued

13. Commitments:

During 2019, the Organization entered into an office space lease agreement with an original lease term of three years, beginning January 1, 2020.

Future minimum payments under operating lease obligations are \$27,592 for 2022.

14. Related Party Transactions:

During 2021, the Organization received funding from its national organization to support the Family Room program, amounting to \$155,852. During 2020, the Organization received three emergency relief grants from its national organization, in response to the ongoing COVID-19 pandemic, amounting to \$98,142.

15. New Accounting Guidance:

Contributed Non-Financial Assets: In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The new standard will be effective for periods beginning after June 15, 2021 and will require entities to use a retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. The new standard will be effective for periods beginning after December 15, 2021, and will require entities to use a modified retrospective approach. The Organization is currently evaluating the reporting and economic implications of the new standard.