

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.
Falls Church, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 RMHC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RMHC 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 RMHC's ability to continue as a going concern for one year after the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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



CliftonLarsonAllen LLP

Arlington, Virginia
September 13, 2022

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 211,921	\$ 1,373,908
Contributions Receivable	721,101	684,490
Accounts Receivable	14,777	-
Prepaid Expenses	38,454	35,068
Total Current Assets	986,253	2,093,466
RESTRICTED CASH	-	463,784
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	574,063	879,356
INVESTMENTS	9,030,333	10,462,590
BENEFICIAL USE OF LAND	56,226	56,977
PROPERTY AND EQUIPMENT		
Land and Improvements	1,762,506	1,762,506
Building and Improvements	13,807,709	10,616,275
Furniture and Equipment	730,338	743,345
Website	8,575	20,326
Construction in Progress	-	310,860
Subtotal	16,309,128	13,453,312
Less: Accumulated Depreciation and Amortization	(3,437,922)	(3,136,978)
Total Property and Equipment	12,871,206	10,316,334
Total Assets	\$ 23,518,081	\$ 24,272,507
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 250,976	\$ 234,063
NET ASSETS		
Without Donor Restrictions:		
Board Designated	13,691,686	13,186,192
Undesignated	5,672,509	6,040,142
Total Net Assets Without Donor Restrictions	19,364,195	19,226,334
With Donor Restrictions:		
Time and Purpose Restrictions	2,562,409	3,471,609
Perpetual Restrictions	1,340,501	1,340,501
Total Net Assets With Donor Restrictions	3,902,910	4,812,110
Total Net Assets	23,267,105	24,038,444
Total Liabilities and Net Assets	\$ 23,518,081	\$ 24,272,507

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Contributions and Fundraising Events	\$ 435,143	\$ 11,908	\$ 447,051	\$ 307,890	\$ 195,749	\$ 503,639
Donations - Room Occupants	31,910	-	31,910	8,472	-	8,472
Other Donations	1,283,896	71,322	1,355,218	1,060,539	1,120,759	2,181,298
Donated Materials and Services	186,905	-	186,905	761,707	-	761,707
Special Events	122,859	-	122,859	139,170	-	139,170
Realized Gains on Sale of Investments	1,132,445	100,137	1,232,582	949,033	85,912	1,034,945
Unrealized Gain (Loss) on Investments	(222,279)	213,290	(8,989)	(458,708)	(12,371)	(471,079)
Interest and Dividends, Net of Fees	90,833	30,394	121,227	77,100	105,675	182,775
Other	48,947	-	48,947	31,807	-	31,807
Net Assets Released from Restrictions	1,336,251	(1,336,251)	-	1,657,995	(1,657,995)	-
Total Public Support and Revenue	4,446,910	(909,200)	3,537,710	4,535,005	(162,271)	4,372,734
EXPENSES						
Program Services	3,227,338	-	3,227,338	2,676,021	-	2,676,021
Management and General	445,756	-	445,756	393,309	-	393,309
Fundraising	635,955	-	635,955	670,655	-	670,655
Total Expenses	4,309,049	-	4,309,049	3,739,985	-	3,739,985
CHANGE IN NET ASSETS	137,861	(909,200)	(771,339)	795,020	(162,271)	632,749
Net Assets - Beginning of Year	19,226,334	4,812,110	24,038,444	18,431,314	4,974,381	23,405,695
NET ASSETS - END OF YEAR	<u>\$ 19,364,195</u>	<u>\$ 3,902,910</u>	<u>\$ 23,267,105</u>	<u>\$ 19,226,334</u>	<u>\$ 4,812,110</u>	<u>\$ 24,038,444</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Employee Costs	\$ 1,442,335	\$ 170,146	\$ 183,121	\$ 1,795,602
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	315,123	12,851	7,333	335,307
Professional Fees	72,221	222,953	341,886	637,060
Insurance	29,571	2,025	1,366	32,962
Supplies	115,281	7,893	5,323	128,497
Repairs and Maintenance	145,434	5,931	3,384	154,749
Printing, Mailing, and Postage	12,737	872	588	14,197
Utilities	91,946	3,750	2,139	97,835
Telecommunications	34,477	-	-	34,477
Travel and Meetings	4,087	-	-	4,087
Other	13,355	13,409	-	26,764
Other Outside Services	124,291	-	-	124,291
Family Transportation	19,494	-	-	19,494
Marketing and PR	229,522	820	87,503	317,845
Occupancy	127,464	5,106	3,312	135,882
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,227,338</u>	<u>\$ 445,756</u>	<u>\$ 635,955</u>	<u>\$ 4,309,049</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Employee Costs	\$ 1,073,592	\$ 140,491	\$ 125,897	\$ 1,339,980
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	263,472	-	-	263,472
Professional Fees	58,458	151,960	449,274	659,692
Insurance	24,720	1,377	653	26,750
Supplies	162,111	9,029	4,282	175,422
Repairs and Maintenance	76,496	-	-	76,496
Printing, Mailing, and Postage	9,956	555	263	10,774
Utilities	46,050	-	-	46,050
Telecommunications	30,185	-	-	30,185
Travel and Meetings	3,167	-	-	3,167
Other	5,887	82,654	-	88,541
Other Outside Services	146,081	-	-	146,081
Family Transportation	3,992	-	-	3,992
Marketing and PR	225,435	555	77,148	303,138
Occupancy	96,419	6,688	13,138	116,245
	<u>\$ 2,676,021</u>	<u>\$ 393,309</u>	<u>\$ 670,655</u>	<u>\$ 3,739,985</u>
Total Expenses	<u>\$ 2,676,021</u>	<u>\$ 393,309</u>	<u>\$ 670,655</u>	<u>\$ 3,739,985</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (771,339)	\$ 632,749
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	335,307	263,472
Amortization of Beneficial Use of Land	751	698
Donated Property and Equipment	-	(488,558)
Realized Gain on Investments	(1,232,582)	(1,034,945)
Unrealized Loss on Investments	8,989	471,079
Loss on Disposal of Property and Equipment	37,433	15,476
Forgiveness of PPP Loans	(247,218)	(203,000)
(Increase) Decrease in Assets:		
Pledges and Contributions Receivable	268,682	796,930
Accounts Receivable	(14,777)	112,320
Prepaid Expenses	(3,386)	442
Increase in Liabilities:		
Accounts Payable and Accrued Expenses	16,913	2,612
Net Cash Provided (Used) by Operating Activities	(1,601,227)	569,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,927,612)	(2,614,510)
Purchase of Investments	(2,373,821)	(3,448,870)
Proceeds from Sale of Investments	5,029,671	6,306,986
Net Cash Provided (Used) by Investing Activities	(271,762)	243,606
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP Loans	247,218	203,000
Net Cash Provided by Financing Activities	247,218	203,000
NET CHANGE IN CASH AND RESTRICTED CASH	(1,625,771)	1,015,881
Cash and Restricted Cash - Beginning of Year	1,837,692	821,811
CASH AND RESTRICTED CASH - END OF YEAR	\$ 211,921	\$ 1,837,692
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Property and Equipment	\$ -	\$ 488,558

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization) is a nonprofit 501(c)(3) organization whose purpose is to help relieve the burden of childhood illness on families through programs that directly improve the health and wellbeing of children. RMHC fulfills its mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times.

RMHC owns and operates, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), two Ronald McDonald Houses, located in Washington, D.C. and Northern Virginia. It also supports two Ronald McDonald Care Mobiles in partnership with MedStar Georgetown University Hospital Kids Mobile Medical Clinic Program.

Basis of Accounting

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.

Income Taxes

The Organization is exempt from federal income taxes on its exempt activities 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. The Internal Revenue Service (IRS) determined that the Organization is not a private foundation.

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.

Use of Estimates

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

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2020, to conform to the presentation for the year ended December 31, 2021. The reclassifications had no impact on previously reported net assets.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Restricted Cash

Restricted cash consisted of a five-year, donor-restricted certificate of deposit (CD) which the donor had restricted for the Capital Campaign. Interest earned on the CD is included in net assets with donor restriction. During the year ended December 31, 2021, these funds were released from restrictions and spent on capital projects.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows at December 31:

	2021	2020
Cash and Cash Equivalents	\$ 211,921	\$ 1,373,908
Restricted Cash	-	463,784
Total Cash and Restricted Cash Shown in the Statements of Cash Flows	\$ 211,921	\$ 1,837,692

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. All receivables are deemed collectible by management at December 31, 2021 and 2020.

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses and income are included in the statements of activities.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset. 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 – Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and are based on the best information available in the circumstances.

Property and Equipment

Purchases of furniture and equipment greater than \$1,000 are capitalized at cost. Donated assets are recorded at their estimated market value on the date of donation. Property and equipment are depreciated over estimated useful lives of 3 to 45 years on a straight-line basis.

Net Assets

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

Net Assets 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 property and equipment and capital improvements and expansion.

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 resources be maintained in perpetuity. The investment earnings on these net assets are reflected in the statements of activities as components of net assets with donor restrictions and released from restrictions as funds are expended for the restricted purposes.

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

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions 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. The Organization reports 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.

Other Revenue

Other revenue consists primarily of Medicaid revenue for family care services. The performance obligation is satisfied over time, and revenue is recognized based on the dates of a family's stay at the Organization's Houses. The amount Medicaid actually pays is the amount recognized, and this sometimes differs from the amount invoiced. At year-end, revenue is accrued based on estimated Medicaid receipts for stays during the calendar year that is ending.

Donated Assets and Services

Contributions of donated goods are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received and also recorded as an expense. However, no value is recorded for the services of unpaid volunteers who have made significant contributions of their time in all areas of operations.

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, repairs and maintenance, and utilities, which are allocated on a square footage basis; supplies, printing, mailing, and postage, IT support, insurance, and other professional fees, which are allocated based on full-time equivalents; and salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position, as of December 31:

	2021	2020
Cash and Cash Equivalents	\$ 211,921	\$ 1,373,908
Contributions Receivable, Current	721,101	684,490
Accounts Receivable	14,777	-
Cash Portion of Investments	269,704	961,458
Subtotal	<u>1,217,503</u>	<u>3,019,856</u>
Less: Current Portion of Donor-Restricted Pledges	<u>(350,231)</u>	<u>(268,782)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 867,272</u>	<u>\$ 2,751,074</u>

Additionally, although the Organization does not intend to spend from its long-term investments without donor restrictions, amounts could be made available if necessary.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$643,000.

Recently Issued Accounting Standards Note Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02, as amended, will be effective for the Organization on January 1, 2022. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

In September of 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires new disclosures and presentation for contributed nonfinancial assets, or more commonly known as gifts-in-kind. The guidance is effective for annual periods beginning after June 15, 2021. The Organization is in the process of assessing the impact on this standard on the financial statements beginning in fiscal year 2022.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 13, 2022, the date the financial statements were available to be issued.

In May 2022, RMHC applied for Employee Retention Credit (ERC) funding from the Internal Revenue Service (IRS) in the amount of \$127,517. An amended filing was submitted for the third quarter of the fiscal year ended December 31, 2021, and this will be recorded as revenue in the period the claim was filed. 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 RMHC's financial position.

NOTE 2 CONCENTRATIONS AND MARKET RISK

Revenue Concentrations

For the year ended December 31, 2020, RMHC received 42% of total support revenue (which excludes investment income), from two donors. As of December 31, 2021 and 2020, 71% and 75% of contributions receivable, respectively, is due from one of these donors. There was no such revenue concentration for the year ended December 31, 2021.

Market Risk

RMHC invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31:

	2021	2020
Due within One Year	\$ 721,101	\$ 684,490
Due One to Five Years	588,400	910,000
Total	1,309,501	1,594,490
Less: Discount	(14,337)	(30,644)
Total Net Contributions Receivable	<u>\$ 1,295,164</u>	<u>\$ 1,563,846</u>

A combination of discount rates was used for different pledges ranging from 1.6% to 2.9% representing the prime rate or risk-free rate of return when the pledge was received.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Cash Equivalents	\$ 269,704	\$ 269,704	\$ 961,458	\$ 961,458
Equities	6,256,105	2,881,110	7,289,981	4,173,018
Mutual Funds	-	-	297,852	297,910
Corporate Bonds	2,504,524	2,490,054	1,711,148	1,610,432
Government Bonds	-	-	202,151	184,744
Total Investments	<u>\$ 9,030,333</u>	<u>\$ 5,640,868</u>	<u>\$ 10,462,590</u>	<u>\$ 7,227,562</u>

The following tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2021			Total
	Level 1	Level 2	Level 3	
Equities	\$ 6,256,105	\$ -	\$ -	\$ 6,256,105
Corporate Bonds	-	2,504,524	-	2,504,524
Subtotal	<u>\$ 6,256,105</u>	<u>\$ 2,504,524</u>	<u>\$ -</u>	8,760,629
Cash Equivalents				269,704
Total Investments				<u>\$ 9,030,333</u>

	2020			Total
	Level 1	Level 2	Level 3	
Equities	\$ 7,289,981	\$ -	\$ -	\$ 7,289,981
Mutual Funds	297,852	-	-	297,852
Corporate Bonds	-	1,711,148	-	1,711,148
Government Bonds	-	202,151	-	202,151
Subtotal	<u>\$ 7,289,981</u>	<u>\$ 1,913,299</u>	<u>\$ -</u>	9,501,132
Cash Equivalents				961,458
Total Investments				<u>\$ 10,462,590</u>

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NOTE 5 BENEFICIAL USE OF LAND

In October 1996, the Organization entered into a lease agreement with Inova Fairfax Hospital Systems, Inc. (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The agreement includes annual base rent of \$1.00 and provides for an initial lease term of 30 years and contains two 10-year renewal options, for a combined lease period that ends in 2046. An independent appraisal determined that the fair value of the space at the time of inception was \$255,668. The annual rental value was estimated to be \$5,113 per year. In connection with this lease agreement, the Organization discounted the value of the 50-year initial term of the lease using a discount rate of approximately 7.4% and recorded a restricted contribution in 2018 in the amount of \$63,436. The implicit contribution receivable under this agreement was not previously recorded in the financial statements and is recorded as a donor-restricted contribution in 2018. The value remaining on the use of land as of December 31, 2021 and 2020 is \$56,226 and \$56,977, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2021 and 2020, rent expense of \$5,113 was recorded in connection with this lease agreement.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
<i>Subject to Expenditure for Specific Purpose:</i>		
Advertising Expenses	\$ 4,528	\$ -
Open Homes Grant	2,124	13,111
DC House - Playground	6	544
Medical Care Mobile	-	5,000
VA House Expansion	-	995,155
Total	6,658	1,013,810
<i>Subject to Passage of Time:</i>		
For Periods after December 31	1,549,947	1,661,837
<i>Subject to the Organization's Spending Policy and Appropriation:</i>		
Original Donor-Restricted Gifts Required to be Maintained in Perpetuity by Donor	1,340,501	1,340,501
Accumulated Endowment Earnings	949,577	738,985
<i>Not Subject to Appropriation or Expenditure:</i>		
Land Required to be Used for a Ronald McDonald House	56,227	56,977
Total	\$ 3,902,910	\$ 4,812,110

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NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	2021	2020
Capital Campaign	\$ 14,508	\$ 1,194,255
Time	171,362	377,893
Endowment Fund	24,525	24,525
Medical CareMobile	5,000	7,500
VA House Expansion	995,155	4,845
Advertising Expenses	5,472	-
Open Homes Grant	10,987	-
CareMobile Fitness Unit	108,704	48,977
DC House	538	-
Total	\$ 1,336,251	\$ 1,657,995

NOTE 7 ENDOWMENTS

In March 1993, RMHC received a donation of shares of common stock of the McDonald's Corporation from Mrs. Ray Kroc. This gift was valued at \$490,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses.

In 2016, upon donor instruction, RMHC transferred \$850,001 of donor-restricted Caremobile Medical Unit funds to create a permanent endowment to where earnings of the endowment would be used to fund operations of the current and future Caremobiles.

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.

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NOTE 7 ENDOWMENTS (CONTINUED)

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

- (1) The duration and preservation of the 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 policy of the Organization

Investment Return Objectives and Risk Parameters

The Organization's endowment investment policy is focused on preservation of capital. The original endowment remains invested in donated common stock of the McDonald's Corporation, and the Care Mobile endowment funds are invested in a portfolio of securities with the investment objective to produce income, with long-term growth potential to meet the current and future needs of the Care Mobile program for the Washington DC chapter.

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. Under this policy approved by the board of directors the endowment assets are invested in a manner with long-term orientation and without undue exposure to risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending rate policy will be 5%. Over the long-term, the Organization expects to allow its endowment to grow annually, consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through new contributions and investment returns.

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 yields (interest and dividends) by holding on to the original donated investments.

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NOTE 7 ENDOWMENTS (CONTINUED)

Funds with 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. These deficiencies in prior year resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds. There were no such deficiencies as of December 31, 2021 and 2020.

The endowment net assets and activity for 2021 and 2020 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2020	\$ -	\$ 1,973,772	\$ 1,973,772
Investment Gain	-	179,216	179,216
Appropriations	-	(73,502)	(73,502)
Endowment Net Assets, December 31, 2020	-	2,079,486	2,079,486
Investment Gain	-	343,821	343,821
Appropriations	-	(133,229)	(133,229)
Endowment Net Assets, December 31, 2021	<u>\$ -</u>	<u>\$ 2,290,078</u>	<u>\$ 2,290,078</u>

NOTE 8 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:

	2021	2020
Capital Reserves	\$ 12,871,206	\$ 10,316,333
Operating Reserves	-	180,130
Property Reserve Fund	200,566	200,566
Capital Expenditure Fund	619,914	2,489,163
Total	<u>\$ 13,691,686</u>	<u>\$ 13,186,192</u>

NOTE 9 IN-KIND DONATIONS

The Organization received donated in-kind items including services, rent, utilities and supplies which benefitted program and fundraising totaling \$186,905 and \$761,707 for the years ended December 31, 2021 and 2020, respectively.

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NOTE 10 RONALD MCDONALD HOUSE CHARITIES LICENSE

The RMHC holds a license from Ronald McDonald House Charities, Inc. (global) to operate in the community. The license agreement requires the Organization to remit 25% of “Special RMHC Fundraising Contributions” to Ronald McDonald House Charities, Inc. on a quarterly basis. These amounts are recorded against contribution income on the statements of activities. In fiscal years 2021 and 2020, the fundraising amounts were collected by the global organization and the proceeds net of the 25% fee were remitted to RMHC. RMHC recorded \$242,645 and \$195,611 of net donation box revenue in 2021 and 2020, respectively. As of December 31, 2021 and 2020, amounts receivables from Ronald McDonald House Charities, Inc. (global) totaled \$110,891 and \$50,225, respectively.

Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

NOTE 11 PENSION PLAN

The plan is a defined contribution plan under which employees who work at least 1,000 hours per year and have completed one year of service can make voluntary contributions up to the IRS maximum. There is a safe harbor match and a provision for discretionary contributions by the employer. All participants are fully vested in all contributions made. For 2021 and 2020, the Organization matched employee contributions up to 5% of each employee’s compensation, resulting in pension expense of \$53,005 and \$43,530, respectively.

NOTE 12 ALLOCATION OF JOINT COSTS

The Organization incurs joint costs for informational materials and activities that included fundraising appeals. The following is a summary of the allocation of these joint costs for the years ended December 31:

	2021	2020
Program Services	\$ 151,475	\$ 144,615
Fundraising	87,503	76,756
Management and General	820	525
Total	<u>\$ 239,798</u>	<u>\$ 221,896</u>

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NOTE 13 RISKS AND UNCERTAINTIES

During the year ended December 31, 2021, the COVID-19 pandemic continued impacting the operation of the Organization. Future revenues and expenses of the Organization are uncertain due to potential impact on travel and public gatherings. This could also impact transactions relating to customers and vendors. As of September 13, 2022, the amount and likelihood of loss relating to these events have not been determined.

NOTE 14 PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, the Organization received a loan from a financial institution in the amount of \$203,000 to fund payroll, rent, and utilities through the Paycheck Protection Program (PPP) offered by the U.S. Small Business Administration (SBA). On December 9, 2020, SBA authorized full forgiveness of the loan amount. The loan forgiveness is included in contribution revenue in the accompanying statement of activities for the year ended December 31, 2020.

In February 2021, the Organization received a second PPP loan from a financial institution in the amount of \$247,218, subject to similar terms and conditions as the first PPP loan. On August 25, 2021, SBA authorized full forgiveness of the loan amount. The loan forgiveness is included in contribution revenue in the accompanying statement of activities for the year ended December 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.