

**Ronald McDonald House Charities
of Kansas City, Inc.**

Independent Auditor's Report and Financial Statements
December 31, 2021 and 2020

FORV/S

**Ronald McDonald House Charities
of Kansas City, Inc.**

December 31, 2021 and 2020

Contents

Independent Auditor's Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 6
Statements of Cash Flows 8
Notes to Financial Statements 9

Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities
of Kansas City, Inc.
Kansas City, Missouri

Opinion

We have audited the financial statements of Ronald McDonald House Charities of Kansas City, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 of America.

Basis for Opinion

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

In performing an audit in accordance with GAAS, we:

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

FORVIS, LLP

Kansas City, Missouri
August 31, 2022

Ronald McDonald House Charities of Kansas City, Inc.

Statements of Financial Position December 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,374,875	\$ 941,889
Restricted cash	774,859	162,202
Accounts receivables, net of allowance	45,302	47,348
Contributions receivable, net	1,102,055	1,279,714
Other	86,025	22,431
Total current assets	3,383,116	2,453,584
Non-Current Assets		
Contributions receivable, net	45,351	123,503
Beneficial interest in assets held by other	137,313	137,313
Investments	7,295,052	6,613,736
Property and equipment, net	16,505,076	16,012,457
Other	32,683	32,683
Total non-current assets	24,015,475	22,919,692
Total assets	\$ 27,398,591	\$ 25,373,276

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 420,995	\$ 142,079
Accrued liabilities	260,021	477,807
Deferred revenue	27,306	30,614
Notes payable, current maturities	-	337,556
Total current liabilities	708,322	988,056
Other Liabilities		
Notes payable, non-current maturities	-	96,444
Net Assets		
Without donor restrictions	22,453,655	21,136,989
With donor restrictions	4,236,614	3,151,787
Total net assets	26,690,269	24,288,776
Total liabilities and net assets	\$ 27,398,591	\$ 25,373,276

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	\$ 1,971,470	\$ 1,666,148	\$ 3,637,618
Contributions – McDonald’s related fundraisers	622,657	5,000	627,657
Total contributions	<u>2,594,127</u>	<u>1,671,148</u>	<u>4,265,275</u>
Organization-sponsored fundraising events	1,073,238	204,427	1,277,665
External fundraising events	565,762	1,019,282	1,585,044
Medicaid revenue	245,308	-	245,308
Other	456,505	-	456,505
Net assets released from restrictions	<u>1,846,170</u>	<u>(1,846,170)</u>	<u>-</u>
Total revenues, gains and other support	<u>6,781,110</u>	<u>1,048,687</u>	<u>7,829,797</u>
Expenses and Losses			
Program services	4,118,151	-	4,118,151
Cost of direct benefits to donors	272,907	-	272,907
Support services			
Management and general	543,083	-	543,083
Fundraising	<u>1,042,593</u>	<u>-</u>	<u>1,042,593</u>
Total expenses and losses	<u>5,976,734</u>	<u>-</u>	<u>5,976,734</u>
Change in Net Assets from Operations	804,376	1,048,687	1,853,063
Net Investment Income	<u>512,290</u>	<u>36,140</u>	<u>548,430</u>
Change in Net Assets	1,316,666	1,084,827	2,401,493
Net Assets, Beginning of Year	<u>21,136,989</u>	<u>3,151,787</u>	<u>24,288,776</u>
Net Assets, End of Year	<u>\$ 22,453,655</u>	<u>\$ 4,236,614</u>	<u>\$ 26,690,269</u>

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Activities Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	\$ 1,866,623	\$ 422,247	\$ 2,288,870
Contributions – McDonald’s related fundraisers	565,000	13,111	578,111
Total contributions	<u>2,431,623</u>	<u>435,358</u>	<u>2,866,981</u>
Organization-sponsored fundraising events	585,990	349,950	935,940
External fundraising events	330,047	1,040,249	1,370,296
Medicaid revenue	311,491	-	311,491
Other	73,662	-	73,662
Net assets released from restrictions	<u>1,843,028</u>	<u>(1,843,028)</u>	<u>-</u>
Total revenues, gains and other support	<u>5,575,841</u>	<u>(17,471)</u>	<u>5,558,370</u>
Expenses and Losses			
Program services	4,146,579	-	4,146,579
Cost of direct benefits to donors	102,455	-	102,455
Support services			
Management and general	706,749	-	706,749
Fundraising	<u>865,765</u>	<u>-</u>	<u>865,765</u>
Total expenses and losses	<u>5,821,548</u>	<u>-</u>	<u>5,821,548</u>
Change in Net Assets from Operations	(245,707)	(17,471)	(263,178)
Net Investment Income	<u>749,801</u>	<u>261,821</u>	<u>1,011,622</u>
Change in Net Assets	504,094	244,350	748,444
Net Assets, Beginning of Year	<u>20,632,895</u>	<u>2,907,437</u>	<u>23,540,332</u>
Net Assets, End of Year	<u>\$ 21,136,989</u>	<u>\$ 3,151,787</u>	<u>\$ 24,288,776</u>

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Functional Expenses Year Ended December 31, 2021

	Program Services			Total Program Services	Management and General		Fundraising	Cost of Direct Benefits to Donors	Total Expenses
	Ronald McDonald Houses	Family Room	Project GROW						
Salaries	\$ 1,548,396	\$ 118,109	\$ -	\$ 1,666,505	\$ 255,017	\$ 443,452	\$ -	\$ 2,364,974	
Employee benefits	274,780	12,668	-	287,448	48,979	63,843	-	400,270	
Payroll taxes	117,464	8,704	-	126,168	19,391	31,371	-	176,930	
Total	<u>1,940,640</u>	<u>139,481</u>	<u>-</u>	<u>2,080,121</u>	<u>323,387</u>	<u>538,666</u>	<u>-</u>	<u>2,942,174</u>	
Advertising	-	-	-	-	-	83,366	-	83,366	
Automobile	46	-	-	46	-	-	-	46	
Cleaning services and supplies	109,514	-	-	109,514	-	-	-	109,514	
Depreciation	734,202	18,971	67,736	820,909	7,170	6,370	-	834,449	
Direct mail	-	-	-	-	-	209,482	-	209,482	
Donor recognition	-	-	-	-	1,560	3,543	-	5,103	
Family support services and supplies	389,200	443	-	389,643	-	2,085	-	391,728	
Insurance	104,675	10,093	-	114,768	7,181	9,538	-	131,487	
Linens and laundry	12,999	-	-	12,999	-	-	-	12,999	
Maintenance and repairs	264,570	755	13,849	279,174	2,230	159	-	281,563	
Meetings, education and training	5,101	-	-	5,101	18,149	475	-	23,725	
Office supplies	6,475	-	-	6,475	6,510	4,243	-	17,228	
Postage and courier	9	30	-	39	1,203	8,200	-	9,442	
Printing and publishing	426	474	-	900	218	23,597	-	24,715	
Professional fees	-	-	-	-	73,289	520	-	73,809	
Rent	-	-	-	-	-	-	127,839	127,839	
Technology	53,661	7,317	-	60,978	24,673	40,648	-	126,299	
Telephone	50,050	-	-	50,050	-	-	-	50,050	
Travel, meals and entertainment	301	-	-	301	156	1,726	124,270	126,453	
Utilities	160,988	-	457	161,445	-	-	-	161,445	
Volunteer resources and recognition	5,436	-	-	5,436	-	1,908	-	7,344	
Other	19,906	346	-	20,252	77,357	108,067	20,798	226,474	
Total Expenses	<u>\$ 3,858,199</u>	<u>\$ 177,910</u>	<u>\$ 82,042</u>	<u>\$ 4,118,151</u>	<u>\$ 543,083</u>	<u>\$ 1,042,593</u>	<u>\$ 272,907</u>	<u>\$ 5,976,734</u>	

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Functional Expenses Year Ended December 31, 2020

	Program Services			Total Program Services	Management and General		Fundraising	Cost of Direct Benefits to Donors	Total Expenses
	Ronald McDonald Houses	Family Room	Project GROW						
Salaries	\$ 1,562,606	\$ 73,647	\$ -	\$ 1,636,253	\$ 256,927	\$ 344,337	\$ -	\$ 2,237,517	
Employee benefits	247,986	11,617	-	259,603	44,650	49,626	-	353,879	
Payroll taxes	106,128	5,051	-	111,179	18,756	23,806	-	153,741	
Total	1,916,720	90,315	-	2,007,035	320,333	417,769	-	2,745,137	
Advertising	-	-	-	-	-	76,672	-	76,672	
Automobile	119	-	-	119	30	282	-	431	
Cleaning services and supplies	110,538	-	-	110,538	-	-	-	110,538	
Depreciation	700,947	18,689	28,086	747,722	7,413	6,628	-	761,763	
Direct mail	-	-	-	-	-	196,827	-	196,827	
Donor recognition	-	-	-	-	2,279	4,560	-	6,839	
Family support services and supplies	559,752	957	-	560,709	-	975	-	561,684	
Insurance	113,096	11,095	-	124,191	14,618	10,485	-	149,294	
Linens and laundry	20,909	-	-	20,909	-	-	-	20,909	
Maintenance and repairs	263,482	1,103	5,707	270,292	2,149	117	-	272,558	
Meetings, education and training	7,036	460	-	7,496	8,738	5,683	-	21,917	
Office supplies	10,535	177	-	10,712	3,903	2,355	-	16,970	
Postage and courier	40	-	-	40	3,197	4,069	-	7,306	
Printing and publishing	346	46	-	392	98	31,654	-	32,144	
Professional fees	5,220	-	-	5,220	256,931	-	-	262,151	
Rent	-	-	-	-	-	-	47,556	47,556	
Technology	56,428	6,751	-	63,179	20,111	34,532	-	117,822	
Telephone	49,316	-	-	49,316	-	-	-	49,316	
Travel, meals and entertainment	294	-	-	294	221	2,348	27,750	30,613	
Utilities	159,753	-	-	159,753	20	-	-	159,773	
Volunteer resources and recognition	595	205	-	800	-	261	-	1,061	
Other	3,065	797	4,000	7,862	66,708	70,548	27,149	172,267	
Total Expenses	\$ 3,978,191	\$ 130,595	\$ 37,793	\$ 4,146,579	\$ 706,749	\$ 865,765	\$ 102,455	\$ 5,821,548	

See Notes to Financial Statements

**Ronald McDonald House Charities
of Kansas City, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 2,401,493	\$ 748,444
Items not requiring (providing) operating activities cash flows		
Depreciation	834,449	761,763
Loss on disposal of property and equipment	16,984	191,838
Net realized and unrealized gains on investments	(100,237)	(761,699)
Contributions of property and equipment or contributions received restricted for acquisition of property and equipment	(1,367,785)	(27,934)
Forgiveness of PPP loan	(434,000)	-
Changes in		
Contributions receivable	255,811	(568,338)
Beneficial interest in assets held by other	-	4,549
Miscellaneous receivables and other assets	(61,548)	596,398
Accounts payable and accrued liabilities	125,871	100,658
Deferred revenue	(3,308)	15,614
	<u>1,667,730</u>	<u>1,061,293</u>
Investing Activities		
Purchase of property and equipment	(1,395,183)	(738,845)
Purchase of investments	(581,079)	(734,931)
	<u>(1,976,262)</u>	<u>(1,473,776)</u>
Financing Activities		
Proceeds from contributions restricted for acquisition of property and equipment	1,354,175	-
Proceeds from issuance of long-term debt	-	434,000
	<u>1,354,175</u>	<u>434,000</u>
Increase in Cash, Cash Equivalents and Restricted Cash	1,045,643	21,517
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>1,104,091</u>	<u>1,082,574</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 2,149,734</u>	<u>\$ 1,104,091</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 1,374,875	\$ 941,889
Restricted cash	<u>774,859</u>	<u>162,202</u>
Cash, Cash Equivalents and Restricted Cash	<u>\$ 2,149,734</u>	<u>\$ 1,104,091</u>
Supplemental Cash Flows Information		
Property and equipment acquired through noncash contributions	\$ 13,610	\$ 27,934
Property and equipment purchases in accounts payable and accrued liabilities	141,595	206,336

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Organization

Ronald McDonald House Charities of Kansas City, Inc. (the “Organization”) is a Missouri not-for-profit organization formed in 1979 that operates three Kansas City Ronald McDonald Houses and a Family Room, which provides temporary housing for the families of seriously ill children while the children are receiving treatment at local hospitals. The mission of Ronald McDonald House Charities – Kansas City is to reduce the burden of childhood illness on children and their families.

We fulfill our 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. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities.

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House programs located in Kansas City, Missouri which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers’ ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

Ronald McDonald Family Room

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

The Organization’s revenues and other support are derived principally from contributions and Organization-sponsored fundraising events.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Measure of Operations

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts.

Amounts included in restricted cash are donor contributions received and restricted for a particular purpose.

At December 31, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$1,106,000.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Beneficial Interest in Assets Held by Other

The Organization is a beneficiary of a \$250,000 contribution made to and held by an unrelated not-for-profit organization. The funds are restricted to support Ronald McDonald Family Room and may be utilized at any time. The unspent contribution was \$137,313 at December 31, 2021 and 2020.

Investments and Net Investment Return

The Organization measures securities at fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	10 - 15 years
Building under capital lease	50 years
Vans and autos	5 years
Furniture, fixtures and equipment	5 years
Donation box equipment	5 years

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, which was \$981,416 and \$948,338 and net assets for projects, which was \$112,299 and \$132,708 as of December 31, 2021 and 2020, respectively. Net assets with donor restrictions are 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.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Nature of the Gift	Value Recognized
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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

Approximately 12 percent and 19 percent of all revenue from contributions, special events and external fundraising events were received from one donor as a one-time gift in 2021 and 2020, respectively.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions in the form of goods and services from various donors. Such contributions are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets, or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as revenue in the financial statements, and similarly increase an expense or capitalized asset by a like amount. In-kind contributions recognized during 2021 and 2020 were approximately \$125,000 and \$250,000, respectively, which includes contributed services of approximately \$98,000 and \$122,000, respectively.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. Contributed goods and services not subject to objective measurement or valuation are not reflected in the financial statements.

Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Fundraising Events Revenue

The portion of the fundraising events revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met. The transaction price is determined based on the cost of benefits provided to donors, which was \$272,907 and \$102,455 for the years ended December 31, 2021 and 2020, respectively. All revenue is recognized as of the point in time the event is held and benefits are provided to the donor, which is when the performance obligations are met. The portion of fundraising events revenue considered to be a contribution is recognized in accordance with the Organization's contribution revenue policies.

Medicaid Revenue

Medicaid revenue represents fees for services and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from third-party insurers. Revenue is recognized as the performance obligation is satisfied, which is over time as services are provided as the customer simultaneously receives and consumes the benefit. The Organization determines the transaction price based on standard charges for services provided. These contracts are generally short-term in nature and revenue is recognized based on the number of nights stayed. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the outputs needed to satisfy the obligation. Insurers are generally invoiced the month following the service. Medicaid revenue for the years ended December 31, 2021 and 2020 was \$245,308 and \$311,491, respectively.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$83,366 and \$76,672 for the years ended December 31, 2021 and 2020, respectively.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, cost of direct benefits to donors, management and general and fundraising categories based on time expended, usage and other methods.

Paycheck Protection Program (PPP) Loan - ASC Topic 470

The Organization received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized. The Organization's loan in the amount of \$434,000 was forgiven during 2021 and is included in the other revenue line item in the statement of activities.

Subsequent Events

Subsequent events have been evaluated through August 31, 2022, which is the date the financial statements were available to be issued.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 2: Contributions Receivable

Contributions receivable at December 31 consisted of the following unconditional promises to give discounted at a rate of 5 percent:

	2021	2020
Due within one year	\$ 1,104,805	\$ 1,282,464
Due in one to five years	50,000	150,000
	1,154,805	1,432,464
Less		
Allowance for uncollectible contributions	(2,750)	(2,750)
Unamortized discount	(4,649)	(26,497)
	\$ 1,147,406	\$ 1,403,217

Approximately 85 percent and 86 percent of contributions receivable was due from two donors as of December 31, 2021 and 2020, respectively.

Note 3: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active 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
- Level 3** Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	Total	Fair Value	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021					
Money market funds	\$ 1,015,697	\$ 1,015,697	\$ 1,015,697	\$ -	\$ -
Bond mutual funds	1,667,717	1,667,717	1,667,717	-	-
Equity mutual funds	4,586,638	4,586,638	4,586,638	-	-
Total at fair value	<u>7,270,052</u>	<u>7,270,052</u>	<u>7,270,052</u>	<u>-</u>	<u>-</u>
Certificate of deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 7,295,052</u>	<u>\$ 7,270,052</u>	<u>\$ 7,270,052</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2020					
Money market funds	\$ 968,239	\$ 968,239	\$ 968,239	\$ -	\$ -
Bond mutual funds	1,196,660	1,196,660	1,196,660	-	-
Equity mutual funds	4,423,837	4,423,837	4,423,837	-	-
Total at fair value	<u>6,588,736</u>	<u>6,588,736</u>	<u>6,588,736</u>	<u>-</u>	<u>-</u>
Certificate of deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 6,613,736</u>	<u>\$ 6,588,736</u>	<u>\$ 6,588,736</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 4: Property and Equipment

Property and equipment at December 31 consisted of the following:

	2021	2020
Land and parking lot	\$ 2,023,016	\$ 2,014,545
Buildings and improvements	8,972,332	8,825,672
Buildings and improvements under capital lease	12,868,110	12,481,121
Vans and autos	20,919	20,919
Furniture and equipment	2,038,906	1,903,585
Donation box equipment	26,421	26,421
Family Room	431,645	430,647
Construction in progress	645,594	9,604
	27,026,943	25,712,514
Less accumulated depreciation	(10,521,867)	(9,700,057)
	\$ 16,505,076	\$ 16,012,457

Note 5: Line of Credit

During 2021 and 2020, the Organization has a \$750,000 revolving bank line of credit due on demand with a maturity date of August 1, 2022. At December 31, 2021 and 2020, there were no borrowings against this line. Interest on the revolving line of credit is payable monthly at the bank prime rate (3.50 percent and 3.25 percent at December 31, 2021 and 2020, respectively).

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 6: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purpose or periods:

	2021	2020
Subject to expenditure for specified purpose		
Other projects	\$ 60,285	\$ 121,456
Beneficial interests in assets held by another for		
Family Room	137,313	137,313
Overland Park Family Room	1,346,677	-
Longfellow bathroom upgrades	-	40,000
Guest room improvements	-	23,197
	1,544,275	321,966
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	1,098,946	1,272,569
Endowments		
Endowment, subject to spending policy and appropriation		
General use	1,593,393	1,557,252
Total endowments	1,593,393	1,557,252
Total net assets with donor restrictions	\$ 4,236,614	\$ 3,151,787

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2021	2020
Satisfaction or purpose restrictions		
Other projects	\$ 115,575	\$ 157,560
Project GROW	-	526,201
Longfellow bathroom upgrades	40,000	-
Guest room improvements	23,197	-
Expiration of time restrictions	1,667,398	1,159,267
	\$ 1,846,170	\$ 1,843,028

Note 7: Endowment

The Organization's endowment consists of one donor-restricted fund established in the amount of \$1,000,000, to be held in perpetuity in order to provide supplemental income for the operating expenses at the Ronald McDonald House. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body is subject to the State of Missouri *Uniform Prudent Management of Institutional Funds Act* as adopted by the state of Missouri (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The governing body of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of endowment net assets at December 31, 2021 and 2020 was:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 1,000,000	\$ 1,000,000
Accumulated investment	664,684	593,393	1,258,077
Total endowment funds	\$ 664,684	\$ 1,593,393	\$ 2,258,077
December 31, 2020			
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 1,000,000	\$ 1,000,000
Accumulated investment	525,088	557,252	1,082,340
Total endowment funds	\$ 525,088	\$ 1,557,252	\$ 2,082,340

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Changes in endowment net assets for the years ended December 31, 2021 and 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$ 441,878	\$ 1,295,431	\$ 1,737,309
Net investment return	83,210	261,821	345,031
Endowment net assets, December 31, 2020	525,088	1,557,252	2,082,340
Net investment return	139,596	36,141	175,737
Endowment net assets, December 31, 2021	\$ 664,684	\$ 1,593,393	\$ 2,258,077

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. The Organization did not have any deficiencies of this nature, which in accordance with GAAP would be reported in net assets with donor restrictions, at December 31, 2021 and 2020.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include assets of donor-restricted endowment funds the Organization must hold in perpetuity.

Under the Organization's policies, the primary investment goal is long-term asset growth with the generation of investment income a secondary goal. The Organization's investment policy details other guidelines for investment assets. The Organization expects its endowment funds to provide returns over a rolling three-year period, which will be reasonably consistent with those from a comparably positioned "unmanaged" fund consisting of equity, fixed income and cash indices, as applicable. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

The Organization follows the donor's stipulation in regard to this endowment, which requires the original gift to be held in perpetuity and the income earned to be used for operating expenses. The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 7 percent of the endowment fund's average fair value over the prior three years as long as the funds exceed a value of 1.5 times the original gift. This policy does not restrict the board from approving expenditure from the endowment when the fund is valued at less than 1.5 times the original gift, but gives guidance as to the treatment when the endowment has experienced tremendous growth. No distribution will be appropriated should the fair market value fall below the original gift value.

Note 8: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,374,875	\$ 941,889
Accounts receivables	45,302	47,348
Contributions receivable	1,102,055	1,279,714
Appropriations from investments	<u>221,971</u>	<u>172,599</u>
	<u>\$ 2,744,203</u>	<u>\$ 2,441,550</u>

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$1,500,000 and \$1,450,000 for 2021 and 2020, respectively.

In addition, the Organization maintains an investment portfolio that allows for annual spending of up to 5 percent of the 3-year average balance as of December 31 of the three preceding years of the Spendable Investments (Operating Reserve, Long-Term Portfolio and any spendable portion of the Endowment Portfolio). Up to \$221,971 and \$172,599 of appropriations from the investment portfolio will be available within the next 12 months as of December 31, 2021 and 2020, respectively.

As more fully described in *Note 5*, the Organization also has a committed line of credit in the amount of \$750,000, which it could draw upon in the event of an unanticipated liquidity need.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 9: Long-term Leases

The Bernstein facility has been constructed on land subject to a lease through the year 2085 for an annual payment of \$10.

The Longfellow facility was constructed on land that was donated by a local company and by the City of Kansas City, Missouri. Upon completion of the project, the Organization transferred the property to Kansas City, Missouri in accordance with the restrictions set forth by Kansas City, Missouri. The Organization then contracted to lease the property from the City at \$1 per year for a term of 20 years with three 10-year renewal options. The lease qualifies for capital lease accounting treatment. Leasehold improvements are being amortized over the shorter of the lease term or their estimated useful lives.

Property and equipment includes the following property under the capital lease at December 31, 2021 and 2020:

	2021	2020
Land	\$ 1,613,691	\$ 1,613,691
Building and improvements	11,254,419	10,867,430
	12,868,110	12,481,121
Less accumulated depreciation	4,128,006	3,804,301
	\$ 8,740,104	\$ 8,676,820

Note 10: Retirement Plan

The Organization has a defined contribution pension plan covering substantially all employees. Regularly scheduled employees are eligible to participate in the plan after reaching age 21 and completing six months of eligible service. For both 2021 and 2020, the Organization contributed the 5 percent required of eligible compensation and also matched 50 percent of the employees' contributions up to 4 percent of eligible compensation. The Organization's retirement expense amounted to \$142,921 and \$134,500 for the years ended 2021 and 2020, respectively.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 11: Related Party

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75 percent of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the License Agreement. During the years ended December 31, 2021 and 2020, the Organization received \$463,510 and \$424,427, respectively, from these revenue streams.

Note 12: Future Changes in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.