

Ronald McDonald House Charities of Northeast Ohio, Inc.

Consolidated Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities of Northeast Ohio, Inc.

Opinion

We have audited the consolidated financial statements of Ronald McDonald House Charities of Northeast Ohio, Inc. (RMHC NEO), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Northeast Ohio, Inc. as of December 31, 2021, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 RMHC NEO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 NEO's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 RMHC NEO'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 RMHC NEO'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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 21 to 23 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 21 to 23 is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Cleveland, Ohio
May 19, 2022

Ronald McDonald House Charities of Northeast Ohio, Inc.

Consolidated Statement of Financial Position
December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 3,123,996
Receivables:	
Capital campaign pledges, net	2,508
Pledges and grants	60,119
Other	114,123
Prepaid expenses and other assets	46,665
Total current assets	<u>3,347,411</u>

Property, buildings and equipment:

Vehicles	58,485
Land, building and improvements	28,358,180
Furniture, fixtures and equipment	2,589,044
	<u>31,005,709</u>
Accumulated depreciation	(9,401,151)
Net property, buildings and equipment	<u>21,604,558</u>

Other assets:

Funds held by others	21,666
Capital campaign pledges, net	4,843
Investments	16,161,809
Note receivable	6,596,353
	<u>22,784,671</u>

Total assets \$ 47,736,640

See notes to consolidated financial statements.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Consolidated Statement of Financial Position
December 31, 2021

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	262,054
Accrued expenses and other liabilities		132,665
Deferred revenue		7,830
Total current liabilities		<u>402,549</u>

Long-term liabilities:

Notes payable		9,689,000
Less: deferred financing costs, net		<u>(218,400)</u>
Total long-term liabilities		<u>9,470,600</u>

Total liabilities		<u>9,873,149</u>
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Net assets:

Without donor restrictions:

Operating		14,996,434
Board designated		1,500,000
Capital fund		1,501,355
Net investment in plant		<u>11,947,612</u>
Total without donor restrictions		29,945,401

With donor restrictions		<u>7,918,090</u>
Total net assets		<u>37,863,491</u>

Total liabilities and net assets	\$	<u>47,736,640</u>
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See notes to consolidated financial statements.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues:			
In-kind	\$ 570,340	\$ -	\$ 570,340
Contributions	3,508,294	781,950	4,290,244
Special events, net	628,547	-	628,547
Annual fund	1,017,988	-	1,017,988
Rental income	144,933	-	144,933
Other income	23,919	-	23,919
Net assets released from restrictions	623,340	(623,340)	-
Total operating support and revenues	6,517,361	158,610	6,675,971
Expenses:			
Program service	5,237,013	-	5,237,013
Management and general	822,967	-	822,967
Fundraising	913,911	-	913,911
Total expenses	6,973,891	-	6,973,891
(Decrease) increase from operating activity	(456,530)	158,610	(297,920)
Non-operating activity:			
Interest and dividends	214,479	45,841	260,320
Interest expense	(106,890)	-	(106,890)
Realized and unrealized gains on investments	768,138	311,789	1,079,927
Loss on disposal of property, buildings and equipment	(102,730)	-	(102,730)
Total non-operating activity	772,997	357,630	1,130,627
Change in net assets	316,467	516,240	832,707
Net assets at beginning of year	29,628,934	7,401,850	37,030,784
Net assets at end of year	\$ 29,945,401	\$ 7,918,090	\$ 37,863,491

See notes to consolidated financial statements.

Ronald McDonald House Charities of Northeast Ohio, Inc.

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Service	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,127,821	\$ 553,468	\$ 478,234	\$ 3,159,523
Depreciation and amortization	1,101,263	22,474	-	1,123,737
In-kind	539,790	-	-	539,790
Repairs and maintenance	354,796	7,241	-	362,037
Annual fund	-	-	383,338	383,338
Utilities	181,747	3,709	-	185,456
Professional fees	41,969	155,362	-	197,331
Supplies	190,449	3,887	-	194,336
Miscellaneous	32,796	26,237	6,559	65,592
Promotional	104,877	-	-	104,877
Family Room/Hospitality Suite	28,143	-	-	28,143
Red Treehouse	20,427	-	-	20,427
Telephone	102,208	5,678	5,678	113,564
Night security monitors	141,064	-	-	141,064
Dues and subscriptions	49,966	13,592	11,830	75,388
Insurance	47,196	2,622	2,622	52,440
Volunteer activities	8,407	-	-	8,407
Care Mobile	56,613	-	-	56,613
Travel	4,177	597	1,194	5,968
Office	103,304	28,100	24,456	155,860
Total expenses	\$ 5,237,013	\$ 822,967	\$ 913,911	\$ 6,973,891

See notes to consolidated financial statements.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Consolidated Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 832,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gains on investments	(1,079,927)
Depreciation and amortization	1,123,737
Forgiveness of Paycheck Protection Program loans	(514,900)
Loss on disposal of property, buildings and equipment	102,730
Contributed property, buildings and equipment	(30,550)
Changes in assets and liabilities:	
Receivables	37,705
Prepaid expenses and other assets	(6,742)
Accounts payable	(90,068)
Accrued expenses and other liabilities	23,945
Deferred revenue	(10,500)
Net cash provided by operating activities	<u>388,137</u>
Cash flows from investing activities:	
Purchase of property, buildings and equipment	(198,677)
Purchase of investments	(7,440,146)
Proceeds from sale of investments	7,976,838
Net cash provided by investing activities	<u>338,015</u>
Net change in cash and cash equivalents	726,152
Cash and cash equivalents:	
Beginning	<u>2,397,844</u>
Ending	<u>\$ 3,123,996</u>

See notes to consolidated financial statements.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Mission: Ronald McDonald House Charities of Northeast Ohio, Inc. enhances the healthcare experience for families and children through comfort, care, and supportive services. The mission is fulfilled 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. Ronald McDonald House Charities of Northeast Ohio, Inc. operates four Ronald McDonald Family Rooms, Ronald McDonald Care Mobile, STAR Center, and RedTreehouse.org: the Ronald McDonald Family Resource Link, as well as a Ronald McDonald House in Akron, Ohio and Cleveland, Ohio.

Children's Family Care, Inc. was incorporated on March 30, 1983 in the State of Ohio for the purpose of providing support for families with children receiving medical care at Children's Hospital Medical Center of Akron and support of other not-for-profit entities.

Significant accounting policies consist of the following:

Basis of consolidation: These consolidated financial statements include the financial activity of the Ronald McDonald House Charities of Northeast Ohio, Inc. and Children's Family Care, Inc. (collectively, the "financial statements"). Collectively, these organizations are referred to as "RMHC NEO" in these financial statements. All intercompany transactions have been eliminated in the consolidation.

Basis of presentation: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. RMHC NEO is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are net assets that are free of donor imposed restrictions as well as net assets designated by the governing board.

Net assets with donor restrictions include net assets from grants, contributions, investment income or other inflows where the use is limited by donor imposed restrictions that either expire by the passage of time or can be fulfilled by actions of RMHC NEO. Net assets with donor restrictions also include endowment funds which are subject to the restriction of donors that the principal be invested in perpetuity and only the distributions are utilized.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor imposed restrictions. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include highly liquid debt instruments with a maturity, when purchased, of three months or less and are stated at cost, which approximates fair value.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Concentration of credit risk: Financial instruments that potentially subject RMHC NEO to concentrations of credit risk consist principally of cash and cash equivalents and investments. RMHC NEO maintains its cash and cash equivalents with financial institutions and although at times invested amounts exceed federally insured limits, management believes the risk associated with exceeding these limits is balanced by the stability of the financial institutions involved. Investments are subject to market fluctuation; therefore, the investment portfolio is monitored on a regular basis by management.

Allowance: Management estimates an allowance based on their review of delinquent accounts and an assessment of RMHC NEO's historical evidence of collections. On a continuing basis, management analyzes delinquent accounts receivable and, once those receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account. RMHC NEO does not have a policy for charging interest on past due balances. At December 31, 2021, RMHC NEO had an allowance of \$76 for uncollectible pledges receivables.

Pledges receivable: 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 cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments: In accordance with the *Investments - Debt and Equity Securities Topic* of the Accounting Standards Codification (ASC), investments are reported in the consolidated statement of financial position at fair value with any realized and unrealized gains and losses reported in the consolidated statement of activities. Investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless a donor or law imposes restrictions on their use.

RMHC NEO invests in a professionally managed portfolio that contains fixed income and equity investments. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

The realized gains and losses represent the difference between the proceeds and the carrying value of investments sold. Unrealized gains and losses represent the difference between the cost and fair value of the investment.

Property, buildings and equipment: Property, buildings and equipment are stated at cost at date of acquisition or fair value at the date of donation. Expenditures that significantly increase values, change capacities or extend useful lives are capitalized. Maintenance and repairs necessary to maintain property and equipment in operating condition are charged to operations. Costs of additions and improvements are capitalized. Leasehold improvements are amortized over the lease term. Depreciation is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Vehicles	5
Furniture, fixtures and equipment	5-10
Buildings and improvements	10-40

Depreciation expense was \$1,008,120 for the year ended December 31, 2021.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Deferred financing costs: Deferred financing costs are amortized over the life of the respective loans. Accumulated amortization and amortization expense was \$410,366 and \$115,617 during the year ended December 31, 2021. The remaining unamortized financing costs are presented as a reduction of notes payable in the consolidated statement of financial position.

Valuation of long-lived assets: RMHC NEO requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No impairment losses were recognized in these consolidated financial statements.

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

Board designated net assets: RMHC NEO's Board of Directors has designated \$1.5 million in net assets to function as an operating reserve at December 31, 2021.

Contributions: RMHC NEO recognizes contributions as revenue in the period in which the pledge (promise to give) is received. RMHC NEO considers all contributions to be without donor restrictions unless specifically restricted by the donor. Donated items are reflected as contributions at their estimated fair value at the time of the donation.

Contribution concentrations: Contributions received from one source during the year ended December 31, 2021 amounted to \$834,044, which represents approximately 20% of total contributions.

In-kind contributions: In-kind contributions represent donated goods and professional services. The estimated fair value of goods and services received are recorded as contributions and expenses at the date they are received.

Allocation of functional expenses: The consolidated financial statements report certain categories of expense that are attributable to more than one program or supporting function, therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation and amortization, insurance, repairs and maintenance, supplies, and utilities are allocated based on square footage. Professional fees, travel, telephone, and miscellaneous are allocated based on full-time equivalents. Salaries and benefits and office expenses are allocated on the basis of estimates of time and effort.

Income taxes: The Ronald McDonald House Charities of Northeast Ohio, Inc. is a not-for-profit organization as described in section 501(c)(3) of the Internal Revenue Code. The Ronald McDonald House Charities of Northeast Ohio, Inc. is exempt from federal income taxes on related income pursuant to 501(a) of the Internal Revenue Code. Children's Family Care, Inc. is a not-for profit organization as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Children's Family Care, Inc. is a private foundation, subject to an excise tax on its investment income. There was no excise tax expense for the year ended December 31, 2021.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

The Financial Accounting Standards Board (FASB) provides guidance for how uncertain income tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing RMHC NEO's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended December 31, 2021, management has determined that there are no uncertain tax positions.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affective the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required. Management is in the process of evaluating the impact of this ASU on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update clarify and improve presentation and disclosure of contributed nonfinancial assets. This ASU is effective for annual periods beginning after June 15, 2021 and early adoption is permitted. Management is in the process of evaluating the impact of this ASU on its consolidated financial statements.

Subsequent events: RMHC NEO has evaluated subsequent events for potential recognition and/or disclosure through May 19, 2022, the date the consolidated financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2021 consisted of the following:

Operating	\$ 1,471,542
Barter account	146,347
Money market accounts	1,426,933
Savings account- pledged per New Market Tax Credit (NMTC)	79,174
	<u>\$ 3,123,996</u>

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 3. Note Receivable

During 2016, several transactions were entered into in order to make additional funds available through the New Markets Tax Credit (NMTC) Program. The goal of the NMTC program is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities.

On June 30, 2016, the Ronald McDonald House in Akron, Ohio loaned \$6,596,353 to Chase NMTC RMHA Investment Fund, LLC (the Chase Fund). The Chase Fund also received equity from a tax credit investor and then made Qualified Equity Investments (QEI's) in Western Reserve DF Affiliate VI, LLC (Western Reserve CDE) and CNMC Sub-COE 107, LLC (CNMC COE) (collectively, the CDE's). The CDE's made loans to finance the expansion construction of the Ronald McDonald House in Akron, Ohio.

The outstanding balance of the note receivable from the Chase Fund was \$6,596,353 at December 31, 2021. The note requires quarterly interest payments of 1.4686% per annum until June 30, 2023; at which point interest and principal payments of \$84,620 will be due quarterly until maturity on June 30, 2046. The note is collateralized by a security interest in the membership interest of the Chase Fund.

Interest income from the NMTC leverage loan was \$96,874 for the year ended December 31, 2021, and is included in interest and dividends on the consolidated statement of activities.

Note 4. Fair Value Measurements

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. In determining fair value, RMHC NEO uses various methods including market, income and cost approaches. Based on these approaches, RMHC NEO often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. RMHC NEO utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, RMHC NEO is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

In determining the appropriate levels, RMHC NEO performs a detailed analysis of the assets that are subject to fair value measurements. At each reporting period, all assets for which the fair value measurement is based on significant unobservable inputs would be classified as Level 3.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in these instruments.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair value of the investments, which is made up of mutual funds and equity securities, is the fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers using nationally known pricing services.

Funds held by others: RMHC NEO participates in a pooled fund held and managed by The Cleveland Foundation. The Cleveland Foundation provided the fair value of RMHC NEO's interest in the pooled fund. The underlying assets in the pooled fund consist of securities, whose fair value is based on reported market prices, in addition to alternative investments for which a readily determined fair value does not exist. The fair value of the alternative investment portfolio is determined based on valuations received by The Cleveland Foundation from the underlying fund manager.

Fair value on a recurring basis: The table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2021:

	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equity:				
Domestic	\$ 6,667,213	\$ 6,667,213	\$ -	\$ -
International	1,253,873	1,253,873	-	-
Fixed income-domestic	3,625,501	3,625,501	-	-
Equity securities-domestic	2,074,465	2,074,465	-	-
Funds held by others	21,666	-	21,666	-
	13,642,718	\$ 13,621,052	\$ 21,666	\$ -
Cash and cash equivalents	2,540,757			
Total	\$ 16,183,475			

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 5. Investments

The following summarizes the fair values, cost and cumulative unrealized appreciation (depreciation) of investments at December 31, 2021:

	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Mutual funds:			
Equity	\$ 7,921,086	\$ 5,405,359	\$ 2,515,727
Fixed income	3,625,501	3,645,228	(19,727)
Equities	2,074,465	1,705,571	368,894
Cash and cash equivalents	2,540,757	2,540,757	-
	<u>\$ 16,161,809</u>	<u>\$ 13,296,915</u>	<u>\$ 2,864,894</u>

Note 6. Funds Held by Others

An endowment fund (Fund) was established at the Cleveland Foundation. Any individual or organization may make additions to this Fund with any gift, bequest or other transfer to the Cleveland Foundation. The purpose of the Fund is to support the programs and activities of RMHC NEO. Income earned on the Fund is distributed to RMHC NEO under the terms of the agreement. The balance at December 31, 2021 was \$21,666.

Note 7. Paycheck Protection Program Loans

On March 27, 2020, the CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law. The CARES Act legislation is intended to provide relief for small businesses that have been negatively impacted by the COVID-19 pandemic. One of the many provisions of the CARES Act, the Paycheck Protection Program (PPP), provided loans to small businesses to prevent layoffs and business closures during the pandemic. In April of 2020, the RMHC NEO received two PPP loans in the amounts of \$341,000 and \$173,900, respectively. Both PPP loans had a stated interest rate of 1% and principal and interest payments of \$14,357 and \$7,322, respectively, that were set to begin in November, 2020. RMHC NEO was granted forgiveness of both loans and recognized \$514,900 into contribution revenue during the year ended December 31, 2021.

Note 8. Line of Credit Agreement

RMHC NEO had an unsecured bank line of credit available totaling \$500,000, which was due on demand. The agreement required interest on borrowings based on the Bank's prime rate (3.25% at December 31, 2021). There were no borrowings on the line of credit during the year ended December 31, 2021, and the line of credit was closed during the year ended December 31, 2021.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 9. Notes Payable

Notes payable consist of the following at December 31:

Western Reserve DF Affiliate VI, LLC Loan A-1: Bearing interest at 1% annum: interest only payments due quarterly until June 1, 2023; at which point interest and principal payments of \$61,072 will be due quarterly until maturity on September 30, 2046, secured by leasehold mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302

\$ 5,013,750

Western Reserve DF Affiliate VI, LLC Loan B-1: Bearing interest at 1% annum: interest only payments due quarterly until June 1, 2023; at which point interest and principal payments of \$25,717 will be due quarterly until maturity on September 30, 2046, secured by leasehold mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302

2,111,250

CNMC SUB-CDE 107, LLC Loan A-2: Bearing interest at 1% per annum: interest only payments due quarterly until June 1, 2023; at which point interest and principal payments of \$19,276 will be due quarterly until maturity on September 30, 2046, secured by mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302

1,582,603

CNMC SUB-CDE 107, LLC Loan B-2: Bearing interest at 1% per annum: interest only payments due quarterly until June 1, 2023; at which point interest and principal payments of \$11,954 will be due quarterly until maturity on September 30, 2046, secured by mortgage on building and improvements located at 141 West State Street, Akron, Ohio 44302

981,397

\$ 9,689,000

Scheduled maturities of notes payable are as follows:

2022	\$ 236,038
2023	472,076
2024	472,076
2025	472,076
2026	472,076
Thereafter	7,564,658
	<u>\$ 9,689,000</u>

Cash paid for interest and interest expense was \$106,890 for the year ended December 31, 2021.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 10. Endowment Funds

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

RMHC NEO is subject to the State of Ohio's Uniform Prudent Management of Institutional Funds Act (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 Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restriction. The Board of Directors of RMHC NEO 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 to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, RMHC NEO 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. RMHC NEO has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under law. Additionally, in accordance with UPMIFA, RMHC NEO 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 RMHC NEO 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 appreciation of investments
- (6) Other resources of RMHC NEO
- (7) The investment policies of RMHC NEO

Endowment net asset composition by type of fund at December 31, 2021:

Donor-restricted endowment funds:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,080,760
Accumulated investment gains	<u>1,995,239</u>
Total endowment funds	<u><u>\$ 4,075,999</u></u>

RMHC NEO's disclosure of the beginning and ending balances of the endowment fund, for the year ended December 31, 2021 is as follows:

	<u>With Donor Restrictions</u>
Balance at January 1, 2021	\$ 3,918,369
Net investment gain	357,630
Appropriations	<u>(200,000)</u>
Balance at December 31, 2021	<u><u>\$ 4,075,999</u></u>

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 10. Endowment Funds (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 RMHC NEO to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature reported in net assets without donor restrictions.

Return objectives and risk parameters: RMHC NEO has adopted an investment policy for endowment assets that attempts to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that RMHC NEO must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a variety of indexes/benchmarks which includes the S&P 500 index while assuming a moderate level of investment risk. Long term investment performance is expected to exceed the trailing three year average of the appropriate benchmark.

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

Spending policy and how the investment objectives relate to spending policy: RMHC NEO seeks to maximize the long-term total return of its financial assets consistent with its current and future funding needs. In line with these objectives, it is the intent of RMHC NEO that all income and capital gains generated in the portfolio to be retained within the endowment fund and periodically reinvested in accordance with the Investment Policy. However, if the Board of Directors elects to appropriate for expenditure income earned on its endowment funds, the calculation will be based on 5% of the average twelve quarter end market values. This is consistent with RMHC NEO's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 11. Net Assets

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

Net assets with donor restrictions:

Subject to expenditure for specified purpose:

Family Meal Program	\$ 72,530
Mahoning Valley Western, PA	2,617,296
Kitchen Renovation	894,626
Technology Upgrade	41,893
Capital Projects	153,045
Other	62,701
	<u>3,842,091</u>

Subject to RMHC NEO's spending policy and appropriation:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	2,080,760
Accumulated investment gains	1,995,239
	<u>4,075,999</u>
Total net assets with donor restrictions	<u>\$ 7,918,090</u>

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Net 11. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time for other events stipulated by the donors totaling \$623,340 during the year ended December 31, 2021.

Note 12. Special Events

Special events activity consists of the following for the year ended December 31, 2021:

	Revenue	Expense	Net Revenue
Wine Women & Shoes	\$ 133,750	\$ 40,689	\$ 93,061
Pro Am	433,980	175,946	258,034
Red Tie Event	115,174	13,577	101,597
Pulling Together for Kids	86,219	8,939	77,280
Emerging Leaders	30,087	6,964	23,123
McDonald's golf outing	101,068	25,616	75,452
	<u>\$ 900,278</u>	<u>\$ 271,731</u>	<u>\$ 628,547</u>

Note 13. Retirement Plan

Eligible employees of RMHC NEO may participate in a 401(k) plan. The plan is available to employees who have attained the age of 21 and completed six months of service for elective matching and one year of service for discretionary profit sharing. Employees may elect to contribute up to 80% of their compensation, not to exceed \$19,500 for the period January 1, 2021 through December 31, 2021. RMHC NEO contributes to the plan on behalf of each participant, 50% of the participant's elective contribution up to 5%. Effective January 1, 2016, the plan was amended to include a Safe Harbor non-elective contribution of 3% payable at the end of each plan year. Additionally, the Board of Directors decided to make a discretionary contribution to the plan of 3% for the year ended December 31, 2021. Retirement plan expense for the year ended December 31, 2021 was \$164,533.

Note 14. Related Party

In connection with a licensing agreement effective July 1, 2020, McDonald's Corporation is the licensor of RMHC NEO. As such, RMHC NEO retains the right to use the McDonald's Corporation trademarks and related copyrights in connection with the operation and maintenance of RMHC NEO and fundraising.

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. RMHC NEO received \$29,313 in general operating and restricted grant support and \$804,731 from McDonald's Owner/Operators of Northeast Ohio facilitated by RMHC Global, as defined by the licensing agreement, during the year ended December 31, 2021, which are recorded in contributions on the consolidated statement of activities.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 15. Leased Land

The land on which the Akron Ronald McDonald House facilities are situated is leased from Children's Hospital Medical Center of Akron under a long-term lease agreement. The current lease expires December 31, 2082, at which time RMHC NEO can extend the lease term by exercising successive options for one-year periods. The agreement required RMHC NEO to pay \$1 at the beginning of the lease term.

Note 16. In-Kind

In-kind contributions totaled \$570,340 for the year ended December 31, 2021. These amounts are reflected as in-kind expenses, except that RMHC NEO recognized contributed property, buildings and equipment of \$30,550 for the year ended December 31, 2021.

Not reflected in the consolidated statements of activities as program service is the value of approximately 12,240 hours donated by more than 259 volunteers for the year ended December 31, 2021, in order to further the charitable purpose of RMHC NEO, Family Rooms, and Hospitality Suites. The value of these volunteer hours approximates \$349,000 for the year ended December 31, 2021.

Note 17. Liquidity and Availability

The following reflects RMHC NEO's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 3,123,996
Receivables	181,593
Funds held by others	21,666
Investments	16,161,809
Total financial assets	<u>19,489,064</u>
Less amounts not available to be used for general expenditure within one year:	
Savings account - pledged per NMTC	79,174
Donor restricted by purpose	3,842,091
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	2,080,760
Accumulated investment gains	1,995,239
Board designated funds	1,500,000
Financial assets not available to be used within one year	<u>9,497,264</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,991,800</u>

RMHC NEO's endowment fund consists of original donor restricted gift amounts and amounts required to be maintained in perpetuity by donor and accumulated investment gains. As described in Note 10, if the Board of Directors elects to appropriate for expenditure income earned on its endowment funds, the calculation is based on 5% of the average twelve quarter end market values.

Ronald McDonald House Charities of Northeast Ohio, Inc.

Notes to Consolidated Financial Statements

Note 17. Liquidity and Availability (Continued)

The Board of Directors has designated net assets in the amount of \$1,500,000 that may be expended in the event of financial distress or immediate liquidity needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. Therefore, these amounts are not intended to be available to meet general expenditure during the year ended December 31, 2022.

As part of RMHC NEO's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, RMHC NEO invests cash in excess of daily requirements in short term investments.

Note 18. Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Faced with the challenges of serving families safely, RMHC NEO pivoted, revised, re-purposed, re-invented and re-imagined services. The community generously donated money to the meal program to help provide what volunteer groups could not. They supported fundraising event transitions from in-person to virtual, or modified and masked. Staff learned new roles to provide essential services that individual volunteers could not. When hospital-based programs had to shut their doors, RMHC NEO delivered snacks, activities, and encouragement to the units for patients, families, and health care staff. Red Treehouse, an online resource link program, was uniquely positioned to support families as COVID-19 caused people to seek online resources.

From greeting families at RMHC NEO House and Family Room programs, assisting with donations, to preparing meals, routine maintenance, and landscaping, it is because of the commitment of hundreds of individual and group volunteers that RMHC NEO can carry out its mission. Due to COVID-19, RMHC NEO saw a pause in the ability to have in-person volunteers. While the onset of the pandemic prevented volunteers from being onsite, it did not prevent the ingenuity of the volunteers to find unique ways to remain involved. From virtual pet therapy visits and crafty mask donation creation sessions with families, to donating funds and catered meals, volunteers rose to the occasion and helped RMHC NEO continue to feel like home from afar. By the end of 2021, RMHC NEO worked to safely welcome back in-person volunteers at the Houses and in the Family Rooms.

The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which RMHC NEO operates. The extent to which COVID-19 impacts RMHC NEO will depend on future developments, which are uncertain and cannot be predicted. RMHC NEO will continue to monitor recommended Centers for Disease Control and area hospital guidelines to safely deliver program support to the families served.

Supplementary Information

Ronald McDonald House Charities of Northeast Ohio, Inc.

**Details of Consolidated Statement of Financial Position
December 31, 2021**

	Ronald McDonald House of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,040,423	\$ 83,573	\$ -	\$ 3,123,996
Receivables:				
Capital campaign pledges, net	2,508	-	-	2,508
Pledges and grants	60,119	-	-	60,119
Intercompany	-	24,223	(24,223)	-
Other	102,798	11,325	-	114,123
Prepaid expenses and other assets	46,665	-	-	46,665
Total current assets	3,252,513	119,121	(24,223)	3,347,411
Property, buildings and equipment:				
Vehicles	58,485	-	-	58,485
Land, building and improvements	15,415,540	12,942,640	-	28,358,180
Furniture, fixtures and equipment	1,515,720	1,073,324	-	2,589,044
	16,989,745	14,015,964	-	31,005,709
Accumulated depreciation	(6,796,189)	(2,604,962)	-	(9,401,151)
Net property, buildings and equipment	10,193,556	11,411,002	-	21,604,558
Other assets:				
Funds held by others	21,666	-	-	21,666
Capital campaign pledges, net	4,843	-	-	4,843
Investments	16,161,809	-	-	16,161,809
Note receivable	6,596,353	-	-	6,596,353
Total other assets	22,784,671	-	-	22,784,671
Total assets	\$ 36,230,740	\$ 11,530,123	\$ (24,223)	\$ 47,736,640

Ronald McDonald House Charities of Northeast Ohio, Inc.

**Details of Consolidated Statement of Financial Position
December 31, 2021**

	Ronald McDonald House of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 262,054	\$ -	\$ -	\$ 262,054
Accrued expenses and other liabilities	132,665	-	-	132,665
Intercompany payable	24,223	-	(24,223)	-
Deferred revenue	7,830	-	-	7,830
Total current liabilities	426,772	-	(24,223)	402,549
Long-term liabilities:				
Notes payable	-	9,689,000	-	9,689,000
Less: deferred financing costs, net	-	(218,400)	-	(218,400)
Total long-term liabilities	-	9,470,600	-	9,470,600
Total liabilities	426,772	9,470,600	(24,223)	9,873,149
Net assets:				
Without donor restrictions:				
Operating	14,690,967	305,467	-	14,996,434
Board designated	1,500,000	-	-	1,500,000
Capital fund	1,501,355	-	-	1,501,355
Net investment in plant	10,193,556	1,754,056	-	11,947,612
Total without donor restrictions	27,885,878	2,059,523	-	29,945,401
With donor restrictions	7,918,090	-	-	7,918,090
Total net assets	35,803,968	2,059,523	-	37,863,491
Total liabilities and net assets	\$ 36,230,740	\$ 11,530,123	\$ (24,223)	\$ 47,736,640

Ronald McDonald House Charities of Northeast Ohio, Inc.

Details of Consolidated Statement of Activities Year Ended December 31, 2021

	Ronald McDonald House of Northeast Ohio, Inc.	Children's Family Care, Inc.	Eliminations/ Adjustments	Total
Operating support and revenues:				
In-kind	\$ 570,340	\$ -	\$ -	\$ 570,340
Contributions	4,290,244	-	-	4,290,244
Special events, net	628,547	-	-	628,547
Annual fund	1,017,988	-	-	1,017,988
Contributions - related party	476,698	-	(476,698)	-
Rental income - other	144,933	-	-	144,933
Rental income - related party	-	573,588	(573,588)	-
Other income	23,813	106	-	23,919
Total operating support and revenues	7,152,563	573,694	(1,050,286)	6,675,971
Expenses:				
Program service	5,274,060	1,013,239	(1,050,286)	5,237,013
Management and general	752,853	70,114	-	822,967
Fundraising	913,844	67	-	913,911
Total expenses	6,940,757	1,083,420	(1,050,286)	6,973,891
Increase (decrease) from operating activity	211,806	(509,726)	-	(297,920)
Non-operating activity:				
Interest and dividends	260,320	-	-	260,320
Interest expense	-	(106,890)	-	(106,890)
Realized and unrealized gains on investments	1,079,927	-	-	1,079,927
Loss on disposal of property, buildings and equipment	(102,730)	-	-	(102,730)
Total non-operating activity	1,237,517	(106,890)	-	1,130,627
Total change in net assets	1,449,323	(616,616)	-	832,707
Net assets at beginning of year	34,354,645	2,676,139	-	37,030,784
Net assets at end of year	\$ 35,803,968	\$ 2,059,523	\$ -	\$ 37,863,491