



RMHC[®]
Arkansas

Ronald McDonald House Charities of Arkansas, Inc.

Financial Statements
December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

Ronald McDonald House Charities of Arkansas, Inc.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses – 2022	6
Statement of Functional Expenses – 2021	7
Statements of Cash Flows	8
Notes to Financial Statements	9



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ronald McDonald House Charities of Arkansas, Inc.
Little Rock, Arkansas

We have audited the financial statements of **Ronald McDonald House Charities of Arkansas, Inc.** (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. 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.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, management adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-02, *Leases*, and ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 for one year after the date that the financial statements were available to be issued.

The Board of Directors
Ronald McDonald House Charities of Arkansas, Inc.

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 U.S. 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, misrepresentation 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we have identified during the audits.

The image shows a handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
October 12, 2023

Financial Statements

Ronald McDonald House Charities of Arkansas, Inc.

Statements of Financial Position December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,678,407	\$ 2,482,202
Certificates of deposit	1,001,860	585,814
Contributions receivable, net	876,562	185,255
Endowment assets	2,008,519	1,098,743
Property and equipment, net	7,599,838	7,951,039
Prepaid expenses	16,293	10,138
Other assets	8,151	3,552
TOTAL ASSETS	\$ 14,189,630	\$ 12,316,743
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and contracts payable	\$ 39,078	\$ 32,892
Accrued payroll and related liabilities	35,283	31,033
Refundable advances	258,099	399,017
Total Liabilities	332,460	462,942
 Net Assets		
Without donor restrictions	11,234,795	10,954,906
With donor restrictions	2,622,375	898,895
Total Net Assets	13,857,170	11,853,801
TOTAL LIABILITIES AND NET ASSETS	\$ 14,189,630	\$ 12,316,743

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statements of Activities Years Ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue, Support, Gains (Losses) and Reclassifications		
Grant awards and contributions of financial assets	\$ 1,610,905	\$ 974,679
Contributions of nonfinancial assets	200,335	137,716
Special event revenue	1,213,452	794,208
Rental	13,120	17,325
Interest and dividends	14,114	13,242
Net change in value of endowment assets	(198,492)	85,732
Other income	696	145,036
	2,854,130	2,167,938
Net assets released from restrictions	96,197	734,376
Total Revenue, Support, Gains (Losses) and Reclassifications	2,950,327	2,902,314
Expenses		
Program services	1,715,711	1,374,983
General and administrative	212,606	200,589
Fundraising	425,036	402,264
Capital campaign	85,123	-
Cost of direct benefits to donors	231,962	50,844
Total Expenses	2,670,438	2,028,680
Increase in Net Assets without Donor Restrictions	279,889	873,634
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of financial assets	1,819,677	17,650
Net assets released from restrictions	(96,197)	(734,376)
Increase (Decrease) in Net Assets with Donor Restrictions	1,723,480	(716,726)
INCREASE IN TOTAL NET ASSETS	2,003,369	156,908
NET ASSETS, BEGINNING OF YEAR	11,853,801	11,696,893
NET ASSETS, END OF YEAR	\$ 13,857,170	\$ 11,853,801

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statement of Functional Expenses Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Capital Campaign	Cost of Direct Benefits to Donors	Total
Salaries	\$ 443,795	\$ 72,632	\$ 211,345	\$ -	\$ -	\$ 727,772
Direct marketing and special events	123,024	55,085	109,861	3,890	-	291,860
Utilities	63,752	3,067	887	-	-	67,706
Depreciation	349,586	11,371	3,288	-	-	364,245
Insurance	37,285	1,794	519	-	-	39,598
Employee benefits	47,921	7,843	22,821	-	-	78,585
Printing and publishing	4,785	230	67	-	-	5,082
Household	144,577	-	-	-	-	144,577
Rent and facilities	40,000	-	-	2,963	52,280	95,243
Janitorial services	35,368	1,702	492	-	-	37,562
Payroll taxes	35,931	5,881	17,112	-	-	58,924
Repairs and maintenance	55,889	2,689	778	-	-	59,356
Professional fees	57,172	38,973	27,227	76,470	-	199,842
Postage	5,976	287	83	-	-	6,346
Telephone	11,184	538	156	-	-	11,878
Office supplies	1,516	73	21	-	-	1,610
Food and beverage	-	-	-	1,492	67,838	69,330
Advertising and public relations	8,771	1,436	4,177	-	-	14,384
Care Mobile expenses	80,297	-	-	-	-	80,297
Ronald McDonald Family Room expenses	87,177	-	-	-	-	87,177
Canister collection fees and supplies	3,412	-	-	-	-	3,412
Travel and conferences	10,091	1,652	4,806	308	-	16,857
Bad debt	23,273	-	-	-	-	23,273
Miscellaneous	44,929	7,353	21,396	-	111,844	185,522
Total Expenses	\$ 1,715,711	\$ 212,606	\$ 425,036	\$ 85,123	\$ 231,962	\$ 2,670,438

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statement of Functional Expenses Year Ended December 31, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Salaries	\$ 366,689	\$ 60,042	\$ 216,809	\$ -	\$ 643,540
Direct marketing and special events	73,191	51,696	101,070	-	225,957
Utilities	49,067	2,361	683	-	52,111
Depreciation	353,110	11,540	3,337	-	367,987
Insurance	30,594	1,472	426	-	32,492
Employee benefits	56,071	9,181	33,153	-	98,405
Printing and publishing	6,950	334	97	-	7,381
Household	103,535	-	-	-	103,535
Rent and facilities	40,000	-	-	40,130	80,130
Janitorial services	29,367	1,413	409	-	31,189
Payroll taxes	27,685	4,533	16,369	-	48,587
Repairs and maintenance	43,001	2,069	598	-	45,668
Professional fees	12,671	48,958	7,492	-	69,121
Postage	9,369	451	130	-	9,950
Telephone	9,529	458	133	-	10,120
Office supplies	2,522	121	35	-	2,678
Food and beverage	-	-	-	965	965
Advertising and public relations	3,814	624	2,255	-	6,693
Care Mobile expenses	85,004	-	-	-	85,004
Ronald McDonald Family Room expenses	39,695	-	-	-	39,695
Canister collection fees and supplies	533	-	-	-	533
Travel and conferences	1,785	292	1,056	-	3,133
Miscellaneous	30,801	5,044	18,212	9,749	63,806
Total Expenses	\$ 1,374,983	\$ 200,589	\$ 402,264	\$ 50,844	\$ 2,028,680

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 2,003,369	\$ 156,908
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	364,245	367,987
Loss on uncollectible contributions	23,273	-
Net change in value of endowment assets	198,492	(85,732)
Forgiveness of Paycheck Protection Program loan	-	(144,495)
Changes in operating assets and liabilities:		
Contributions receivable, net	(714,580)	(126,775)
Prepaid expenses	(6,155)	3,934
Other assets	(4,599)	(1,170)
Accounts and contracts payable	6,186	13,247
Accrued payroll and related liabilities	4,250	(3,921)
Refundable advances	(140,918)	379,767
Net Cash Provided by Operating Activities	1,733,563	559,750
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchases) redemptions of certificates of deposit, net	(416,046)	346,491
Purchases of property and equipment	(13,044)	(679,441)
Purchases of endowment assets	(1,108,268)	(290,478)
Net Cash Used by Investing Activities	(1,537,358)	(623,428)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	196,205	(63,678)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,482,202	2,545,880
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,678,407	\$ 2,482,202

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

Ronald McDonald House Charities of Arkansas, Inc. (the Organization) is a nonprofit organization incorporated under the laws of the state of Arkansas and licensed by McDonald's Corporation to operate as an affiliate of Ronald McDonald House Charities, Inc. Global (RMHC Global). The Organization is granted the right to use the Ronald McDonald House Charities registered trademark and related copyrights in connection with the operation and maintenance of the Ronald McDonald House, which provides temporary housing for seriously ill children and their families while the children are receiving treatment at a near-by hospital, fundraising activities and making grants to others for the benefit of children in and around the local area.

Under terms of the license agreement, the Organization participates in a canister collection program, which was established by RMHC Global. RMHC Global receives 25% of the collections from the canister program.

The Organization provides support for the Ronald McDonald Care Mobile (Care Mobile), a mobile healthcare unit operated by Arkansas Children's Hospital that provides dental services to the surrounding community. Under the terms of an agreement between RMHC Global, the Organization and Arkansas Children's Hospital, the Organization provides for 20% of the operating expenses related to the Care Mobile.

The Organization also operates the Ronald McDonald Family Room (the Family Room) at the University of Arkansas for Medical Sciences (UAMS), located in UAMS' neonatal intensive care unit, providing respite, overnight rooms and amenities to families of their hospitalized babies. The Organization provides 100% of support for the Family Room.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

For purposes of presentation in the statements of cash flows, cash and cash equivalents include demand deposit accounts and money market accounts held at multiple financial institutions.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Assets

Endowment assets include units of participation in two separate pooled funds administered by the Arkansas Community Foundation (ACF). Note 8 provides more information about these pooled funds and policies for determining fair value.

Realized and unrealized gains and losses on endowment assets are included in “change in value of endowment assets” on the statements of activities. Purchases and sales are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at the fair value at the time of donation. Major renewals and improvements are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to forty years.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as support in the period received or when the Organization becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

Promises to give which are scheduled to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional support over the term of the related promise to give.

As management believes all contributions receivable are fully collectible, no allowance for uncollectible contributions receivable has been recorded. If amounts become uncollectible, they will be expensed when that determination is made.

The Organization receives funds for special events, including two major fundraising events, and other events held with the intent to increase awareness of the Organization and its programs. A portion of

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

the major fundraising event revenue is intended to cover the cost of the meal and entertainment provided, although the majority of the revenue consists of donor sponsorships and contributions. The Organization received donor sponsorships and contributions of approximately \$187,500 and \$335,000 that is included in refundable advances and the revenue has not been recognized at December 31, 2022 and 2021, respectively, because barriers to revenue recognition have not yet been met.

Donated Services, Land and Facilities

Donated services are recognized as contributions if services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. A portion of the Organization's functions and activities are conducted by unpaid board members and other volunteers. Since this volunteer time does not meet the criteria for revenue recognition, its value is not reflected in the accompanying financial statements.

On June 30, 2015, a lease agreement was executed between the Organization and Arkansas Children's Hospital for the land on which the Ronald McDonald House is located. The rent for the land is one dollar (\$1.00) per year. This arrangement provides significant economic value to the Organization. However, there is no determinable fair value of the rent associated with the usage of the land. Accordingly, no promises to give, nor rent expense has been recorded for this lease.

On March 31, 2019, an agreement was executed between the Organization and UAMS for space in UAMS to house the Family Room. The use of facilities and related utilities are provided to the Organization for one dollar (\$1.00) over the life of the agreement. This contribution is reflected as support and rent and facilities expense in the accompanying financial statements based upon its estimated fair value of \$40,000 for both of the years ended December 31, 2022 and 2021.

Functional Expenses

Expenses associated with certain activities and functions necessary for the support of programs provided by the Organization are considered supporting services expenses. Supporting services include various costs associated with administration, fundraising, maintenance and other general functions of the Organization.

The Organization allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services. The expenses that are allocated include depreciation, insurance, repairs and maintenance, utilities, janitorial services, telephone, postage, printing and publishing, and office supplies, and are allocated on a square footage basis. Salaries, employee benefits, payroll taxes, professional fees, advertising and public relations, and travel and conferences are allocated based on the basis of estimates of time and effort.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

The Organization uses advertising to promote its programs throughout the area it serves. The production costs of advertising are expensed the first time the advertising takes place. Advertising expense was approximately \$14,400 and \$6,700 during the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Internal Revenue Code Section 509(a).

Accounting standards require the Organization to evaluate tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Organization may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results may differ from those estimates.

Expense Allocation

The Organization achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. For the years ended December 31, 2022 and 2021, the costs of conducting those campaigns totaled approximately \$85,300 and \$101,300, respectively, of joint costs that are not directly attributable to either the program services or the fundraising component of the activities. Of those amounts, approximately \$23,000 and \$27,300 were allocated to program services and \$62,300 and \$74,000 were allocated to fundraising for the years ended December 31, 2022 and 2021, respectively.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments for all leases with a term greater than one year. The Organization implemented ASU No. 2016-02 as required on January 1, 2022; however, ASU 2016-02 had minimal impact on the Organization's financial statements and the notes thereto as the Organization has no leases that are significant to the Organization's operations.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards (Continued)

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The Organization implemented ASU No. 2020-07 as required on January 1, 2022, which requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to enhance disclosures about the valuation of those contributions and their use in programs and other activities, including any donor-imposed restrictions on such use. Accordingly, a separate line item for contributed nonfinancial assets was added to the statements of activities. Additional disclosures separating contributions of nonfinancial assets by type have also been added in Note 11.

Reclassifications

Certain amounts previously reported in the 2021 financial statements have been reclassified to conform to presentation in the 2022 financial statements.

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, 2022 and 2021 include the following:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 900,380	\$ 186,300
Less unamortized discount on long-term receivables	<u>(23,818)</u>	<u>(1,045)</u>
Contributions receivable, net	<u>\$ 876,562</u>	<u>\$ 185,255</u>

Contributions receivable at December 31, 2022 are expected to be collected as follows:

Amounts due in:	
Less than one year	\$ 253,917
One to five years	<u>646,463</u>
	<u>\$ 900,380</u>

Promises to give which are scheduled to be received after one year are reported at the present value of estimated future cash flows using a discount rate of 4.0%.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 8,073,603	\$ 8,073,603
Leasehold improvements	679,441	679,441
Furniture and equipment	312,091	299,046
Vehicles	52,148	52,148
Less accumulated depreciation	<u>(1,859,520)</u>	<u>(1,495,274)</u>
	7,257,763	7,608,964
Land and land improvements	<u>342,075</u>	<u>342,075</u>
Property and equipment, net	<u><u>\$ 7,599,838</u></u>	<u><u>\$ 7,951,039</u></u>

NOTE 5: LINE OF CREDIT

At December 31, 2022, the Organization had a \$100,000 line of credit with a financial institution, with interest on this line of credit accruing at 4.00%, and is paid monthly. None of this line of credit was used as of December 31, 2022. This line of credit matured on March 12, 2023. On March 30, 2023, this line of credit was extended through March 30, 2025 for \$100,000. The interest rate on the renewal will accrue at 8.00%. At the time of maturity, all outstanding advances and any unpaid interest thereon are due and payable.

NOTE 6: PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2020, the Organization was approved and received a loan totaling \$144,495 as part of the Paycheck Protection Program (PPP) authorized as part of the Coronavirus Aid, Relief and Economic Securities (CARES) Act passed by Congress and signed into law on March 27, 2020. On May 28, 2021, the Organization was granted forgiveness for the full loan amount, and the related revenue is included in other income on the statement of activities for the year ended December 31, 2021.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

The following provides the amounts comprising net assets with donor restrictions as of December 31, 2022 and 2021:

	2022	2021
Subject to expenditure for specific purpose:		
Shreveport capital campaign	\$ 1,797,877	\$ -
Ronald McDonald Family Room	256,332	340,109
Coca-Cola fund	35,555	29,873
Farm Bureau gift card program	5,047	5,412
Tyson meal program	12,434	11,601
Future programs	5,000	-
	<u>2,112,245</u>	<u>386,995</u>
Subject to passage of time:		
Capital campaign fund	<u>10,130</u>	<u>11,900</u>
Subject to perpetuity:		
Kroc Operating Endowment	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restrictions	<u>\$ 2,622,375</u>	<u>\$ 898,895</u>

NOTE 8: ENDOWMENT

During 2016 and 2021, the Board entered into agreements with ACF to create endowment funds to aid and assist the Organization in carrying out its charitable purposes (Fund 1 and Fund 2, respectively). Collectively, Fund 1 and Fund 2 will be referred to as “the Funds.” The Organization invested into Fund 1 a contribution received from a donor, the corpus of which is to be maintained in perpetuity. In addition, the Organization invested general contributions into the Funds resulting from an internal designation by the Board of Directors (the Board). Additional contributions and income of the Funds are reported as increases to net assets without donor restrictions. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by the spending rate policy adopted by the Board and ACF, any amount may be withdrawn out of the Funds, excluding a minimum balance of \$50,000 for Fund 2. For Fund 2, after three years, the entire amount may be withdrawn. For the amount withdrawn from Fund 1, any donor restrictions will remain in place.

The Organization invests the assets in the Funds in pooled funds managed by ACF. The Organization’s interest in the pooled funds is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 8: ENDOWMENT (Continued)

Changes in endowment net assets attributable to the Funds during the years ended December 31 are as follows:

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ 598,743	\$ 500,000	\$ 1,098,743
Contributions	1,108,268	-	1,108,268
Change in value of endowment assets	(198,492)	-	(198,492)
Endowment net assets, end of year	<u>\$ 1,508,519</u>	<u>\$ 500,000</u>	<u>\$ 2,008,519</u>
	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 222,533	\$ 500,000	\$ 722,533
Contributions	290,478	-	290,478
Change in value of endowment assets	85,732	-	85,732
Endowment net assets, end of year	<u>\$ 598,743</u>	<u>\$ 500,000</u>	<u>\$ 1,098,743</u>

NOTE 9: EMPLOYEE BENEFIT PLAN

Effective February 1, 2009, the Board established a 403(b) thrift plan that covers all employees. Employees are allowed to make salary deferrals to this plan, subject to limitations set forth in the Internal Revenue Code. In addition, the Organization makes matching contributions equal to 100% of the employee's salary deferrals up to 5% of their compensation. Employer matching contributions totaled approximately \$12,800 for both of the years ended December 31, 2022 and 2021.

NOTE 10: CONCENTRATION OF CREDIT RISK

The Organization maintains bank accounts, which include demand deposits and certificates of deposit that may, at times, have balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). In the event of an institutional failure, the excess of the balance over FDIC insurance may not be recoverable. At December 31, 2022 and 2021, the total account balance maintained at multiple financial institutions was approximately \$3,656,000 and \$3,078,000, respectively. All balances were insured by the FDIC at December 31, 2022 and 2021.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 11: CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities include the following:

	<u>2022</u>	<u>2021</u>
Family support	\$ 95,907	\$ 73,315
Food	35,056	9,075
House supplies	25,690	12,104
Pop tabs	3,682	3,222
Rent and facilities	<u>40,000</u>	<u>40,000</u>
Total contributions of nonfinancial assets	<u>\$ 200,335</u>	<u>\$ 137,716</u>

The Organization recognized contributed nonfinancial assets within revenues, including family support, food for families, house supplies, pop tabs and rent for the Family Room at UAMS. None of the contribution nonfinancial assets have any donor-imposed restrictions.

Contributed family support, food and household items were utilized in both the operations of the Ronald McDonald House and the Family Room at UAMS. In valuing family support, food and household items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed pop tabs are utilized by the Organization as a fundraising item, and the Organization estimated the fair value on the basis of what the Organization received after recycling these pop tabs.

Contributed rent and facilities are used for the operations of the Family Room at UAMS, and the Organization estimated the fair value on the basis of the rental value of the property and associated cost of utilities.

NOTE 12: RELATED PARTY RELATIONSHIPS

Certain members of the Board serve in management capacities at financial institutions and a telecommunications company that the Organization has transacted with during the years ended December 31, 2022 and 2021.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2022 and 2021

NOTE 13: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,678,407	\$ 2,482,202
Certificates of deposit	1,001,860	585,814
Contributions receivable	876,562	185,255
Endowment assets	<u>1,458,519</u>	<u>548,743</u>
	6,015,348	3,802,014
Less contributions due in more than one year	<u>(646,463)</u>	<u>(11,450)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,368,885</u>	<u>\$ 3,790,564</u>

Although not expected to be needed, the Organization could also draw upon a \$100,000 line of credit, all of which is unused as of December 31, 2022 (as disclosed in Note 5).

NOTE 14: RISKS AND UNCERTAINTIES

Market disruptions associated with recent geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions adversely affect investment assets and thus performance of the investment assets; however, at this time, an aggregate effect on the Organization's investment assets and their performance cannot be reasonably estimated. Management is continuing to monitor these developments and evaluate other impacts they may have on the investment assets.

NOTE 15: SUBSEQUENT EVENTS

On May 22, 2023, RMHC Global assigned additional program territory to the Organization, which includes the remaining three counties in Southeast Arkansas and twelve parishes in Northeast Louisiana. The existing chapter in Monroe, Louisiana has been closed by RMHC Global, resulting in the Organization to acquire their \$500,000 in restricted Kroc funds, approximately \$1.6 million in unrestricted cash and the proceeds from the sale of that chapter's Ronald McDonald House, which is estimated at this time to be valued at \$300,000.

Management has evaluated subsequent events through October 12, 2023, the date that the financial statements were available to be issued.