



**RMHC<sup>®</sup>**  
**Arkansas**

**Ronald McDonald House Charities of Arkansas, Inc.**

**Financial Statements**  
**December 31, 2021 and 2020**

**(With Independent Auditor's Report Thereon)**

# Ronald McDonald House Charities of Arkansas, Inc.

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## 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, 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 (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.

### **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 for one year after the date that the financial statements were 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 U.S. GAAS will always detect a

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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.

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

Little Rock, Arkansas  
July 28, 2022

## **Financial Statements**

# Ronald McDonald House Charities of Arkansas, Inc.

## Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,482,202	\$ 2,545,880
Certificates of deposit	585,814	932,305
Contributions receivable, net	185,255	58,480
Endowment assets	1,098,743	722,533
Property and equipment, net	7,951,039	8,319,026
Prepaid expenses	10,138	14,072
Other assets	3,552	2,382
<b>TOTAL ASSETS</b>	<u><u>\$ 12,316,743</u></u>	<u><u>\$ 12,594,678</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts and contracts payable	\$ 32,892	\$ 699,086
Accrued payroll and related liabilities	31,033	34,954
Refundable advances	399,017	163,745
<b>Total Liabilities</b>	<u>462,942</u>	<u>897,785</u>
<b>Net Assets</b>		
Without donor restrictions	10,954,906	10,081,272
With donor restrictions	898,895	1,615,621
<b>Total Net Assets</b>	<u>11,853,801</u>	<u>11,696,893</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 12,316,743</u></u>	<u><u>\$ 12,594,678</u></u>

See accompanying notes to financial statements.

# Ronald McDonald House Charities of Arkansas, Inc.

## Statements of Activities Years Ended December 31, 2021 and 2020

	2021	2020
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenue, Support, Gains and Reclassifications</b>		
Grant awards and other contributions	\$ 1,072,395	\$ 1,330,011
Special event revenue	794,208	1,058,399
Rental	17,325	10,750
Interest and dividends	13,242	27,523
Net change in value of endowment assets	85,732	54,367
Other income	145,036	244
	2,127,938	2,481,294
Net assets released from restrictions	734,376	80,876
<b>Total Revenue, Support, Gains and Reclassifications</b>	2,862,314	2,562,170
<b>Expenses</b>		
Program services	1,334,983	1,349,304
General and administrative	200,589	96,757
Fundraising	402,264	447,372
Cost of direct benefits to donors	50,844	190,862
<b>Total Expenses</b>	1,988,680	2,084,295
<b>Increase in Net Assets without Donor Restrictions</b>	873,634	477,875
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	17,650	117,314
Net assets released from restrictions	(734,376)	(80,876)
<b>(Decrease) Increase in Net Assets with Donor Restrictions</b>	(716,726)	36,438
<b>INCREASE IN TOTAL NET ASSETS</b>	156,908	514,313
<b>NET ASSETS, BEGINNING OF YEAR</b>	11,696,893	11,182,580
<b>NET ASSETS, END OF YEAR</b>	\$ 11,853,801	\$ 11,696,893

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	-	-	-	40,130	40,130
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
<b>Total Expenses</b>	<b><u>\$ 1,334,983</u></b>	<b><u>\$ 200,589</u></b>	<b><u>\$ 402,264</u></b>	<b><u>\$ 50,844</u></b>	<b><u>\$ 1,988,680</u></b>

See accompanying notes to financial statements.



## Ronald McDonald House Charities of Arkansas, Inc.

### Statement of Functional Expenses Year Ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Salaries	\$ 406,285	\$ 50,483	\$ 234,781	\$ -	\$ 691,549
Direct marketing and special events	79,446	7,570	85,283	-	172,299
Utilities	59,271	2,976	935	-	63,182
Depreciation	339,907	11,854	3,725	-	355,486
Insurance	29,465	1,479	465	-	31,409
Employee benefits	54,523	6,775	31,507	-	92,805
Printing and publishing	5,347	268	84	-	5,699
Household	112,762	-	-	-	112,762
Rent and facilities	-	-	-	36,719	36,719
Janitorial services	43,103	2,164	680	-	45,947
Payroll taxes	29,225	3,631	16,888	-	49,744
Repairs and maintenance	26,965	1,354	425	-	28,744
Professional fees	41,911	5,208	24,219	-	71,338
Postage	4,827	242	76	-	5,145
Telephone	9,094	457	143	-	9,694
Office supplies	3,386	170	53	-	3,609
Food and beverage	-	-	-	75,058	75,058
Advertising and public relations	3,771	469	2,180	-	6,420
Care Mobile expenses	59,437	-	-	-	59,437
Ronald McDonald Family Room expenses	26,860	-	-	-	26,860
Canister collection fees and supplies	380	-	-	-	380
Travel and conferences	664	82	383	-	1,129
Loss on uncollectible contributions	-	-	38,220	-	38,220
Miscellaneous	12,675	1,575	7,325	79,085	100,660
<b>Total Expenses</b>	<b><u>\$ 1,349,304</u></b>	<b><u>\$ 96,757</u></b>	<b><u>\$ 447,372</u></b>	<b><u>\$ 190,862</u></b>	<b><u>\$ 2,084,295</u></b>

See accompanying notes to financial statements.

# Ronald McDonald House Charities of Arkansas, Inc.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Total Net Assets	\$ 156,908	\$ 514,313
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	367,987	355,486
Loss on uncollectible contributions	-	38,220
Net change in value of endowment assets	(85,732)	(54,367)
Forgiveness of Paycheck Protection Program loan	(144,495)	-
Changes in operating assets and liabilities:		
Contributions receivable, net	(126,775)	176,531
Prepaid expenses	3,934	(7,657)
Other assets	(1,170)	452
Accounts and contracts payable	13,247	(8,176)
Accrued payroll and related liabilities	(3,921)	8,433
Refundable advances	379,767	60,328
<b>Net Cash Provided by Operating Activities</b>	559,750	1,083,563
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemptions (purchases) of certificates of deposit, net	346,491	(11,128)
Purchases of property and equipment	(679,441)	(41,022)
Purchases of endowment assets	(290,478)	-
<b>Net Cash Used by Investing Activities</b>	(623,428)	(52,150)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(63,678)	1,031,413
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,545,880	1,514,467
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,482,202	\$ 2,545,880
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Purchases of property and equipment included in accounts and contracts payable	\$ -	\$ 679,441

See accompanying notes to financial statements.

# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### **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.

#### **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, 2021 and 2020

### **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, 2021 and 2020

### **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 \$335,000 and \$19,000 that is included in refundable advances and the revenue has not been recognized at December 31, 2021 and 2020, respectively, because barriers to revenue recognition have not yet been met.

#### **Donated Services**

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.

#### **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.

#### **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 \$6,700 and \$6,400 during the years ended December 31, 2021 and 2020, 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).

# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Income Taxes (Continued)**

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, 2021 and 2020, 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 generally accepted accounting principles 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, 2021 and 2020, the costs of conducting those campaigns totaled approximately \$101,300 and \$68,600, 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 \$27,300 and \$18,500 were allocated to program services and \$74,000 and \$50,100 were allocated to fundraising for the years ended December 31, 2021 and 2020, respectively.

#### **Recently Issued Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. 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 affecting the pattern of expense recognition in the statement of activities. The amendments in this update will be effective for the Organization on January 1, 2022. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

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 ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement 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. The amendments in this ASU should be applied on a retrospective basis and will be effective for the Organization on January 1, 2022. Management has not yet determined the significance of the impact of implementation of this standard or any related amendments.

# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### **NOTE 3: CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable at December 31, 2021 and 2020 include the following:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 186,300	\$ 59,525
Less unamortized discount on long-term receivables	<u>(1,045)</u>	<u>(1,045)</u>
Contributions receivable, net	<u>\$ 185,255</u>	<u>\$ 58,480</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

Amounts due in:	
Less than one year	\$ 174,850
One to five years	<u>11,450</u>
	<u>\$ 186,300</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%.

### **NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	8,073,603	\$ 8,073,603
Leasehold improvements	679,441	679,441
Furniture and equipment	299,046	299,046
Vehicles	52,148	52,148
Less accumulated depreciation	<u>(1,495,274)</u>	<u>(1,127,287)</u>
	7,608,964	7,976,951
Land and land improvements	<u>342,075</u>	<u>342,075</u>
Property and equipment, net	<u>\$ 7,951,039</u>	<u>\$ 8,319,026</u>

# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### **NOTE 5: LINE OF CREDIT**

At December 31, 2021 and 2020, the Organization had a \$100,000 line of credit with a financial institution, with interest on this line of credit accruing at 3.30%, and is paid monthly. None of this line of credit was used as of December 31, 2021. This line of credit matured on March 12, 2022. In May 2022, this line of credit was extended through March 12, 2023 for \$100,000. The interest rate on the renewal will accrue at 4.00%. 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.

### **NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS**

The following provides the amounts comprising net assets with donor restrictions as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Ronald McDonald Family Room	\$ 340,109	\$ 1,056,795
Coca-Cola fund	29,873	22,876
House meals fund	-	67
Farm Bureau gift card program	5,412	5,991
Tyson meal program	11,601	6,412
	<u>386,995</u>	<u>1,092,141</u>
Subject to passage of time:		
Capital campaign fund	<u>11,900</u>	<u>23,480</u>
Subject to perpetuity:		
Kroc Operating Endowment	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restrictions	<u>\$ 898,895</u>	<u>\$ 1,615,621</u>



# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### 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.

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

	<b>2021</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
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>
	<b>2020</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Endowment net assets, beginning of year	\$ 168,166	\$ 500,000	\$ 668,166
Change in value of endowment assets	54,367	-	54,367
Endowment net assets, end of year	<u>\$ 222,533</u>	<u>\$ 500,000</u>	<u>\$ 722,533</u>

# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### **NOTE 9: DONATED USE OF LAND**

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.

### **NOTE 10: 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 \$12,900 and \$16,000 for the years ended December 31, 2021 and 2020, respectively.

### **NOTE 11: 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, 2021 and 2020, the total account balance maintained at multiple financial institutions was approximately \$3,078,000 and \$2,529,000, respectively. All balances were insured by the FDIC at December 31, 2021 and 2020.

### **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, 2021 and 2020.

# Ronald McDonald House Charities of Arkansas, Inc.

## Notes to Financial Statements December 31, 2021 and 2020

### **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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,482,202	\$ 2,545,880
Certificates of deposit	585,814	932,305
Contributions receivable	185,255	58,480
Endowment assets	548,743	222,533
	<u>3,802,014</u>	<u>3,759,198</u>
Less contributions due in more than one year	(11,450)	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,790,564</u>	<u>\$ 3,759,198</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, 2021 (as disclosed in Note 5).

### **NOTE 14: RISKS AND UNCERTAINTIES**

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the COVID-19 pandemic on the Organization and its financial results will depend on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain.

### **NOTE 15: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 28, 2022, the date that the financial statements were available to be issued.

Market disruptions associated with current 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; 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.