

RONALD McDONALD HOUSE CHARITIES OF
CENTRAL TEXAS, INC.
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of Central Texas, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Texas, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Central Texas, Inc. as of December 31, 2021, and the 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. 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 Ronald McDonald House Charities of Central Texas, Inc. 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 Ronald McDonald House Charities of Central Texas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Ronald McDonald House Charities of Central Texas, Inc.'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 Ronald McDonald House Charities of Central Texas, Inc.'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.

Allman & Associates, Inc.

Austin, Texas
July 22, 2022

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 2,973,398
Pledges receivable, current portion, net of \$7,139 allowance for doubtful pledges	458,419
Other receivables	419,761
Note receivable, net - current portion	1,200
Prepaid expenses	87,032
Total Current Assets	3,939,810
Pledges receivable, net of discount and current portion	449,948
Note receivable, net of discount and current portion	14,968
Beneficial interest in assets held by ACF	169,166
Land lease, net	195,446
Investments, at fair value	5,141,423
Property and equipment, net of accumulated depreciation	8,086,355
Total Assets	\$ 17,997,116

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 466,862
Deferred revenue	35,757
Payroll liabilities	67,939
Other liabilities	1,750
Total Current Liabilities	572,308
Total Liabilities	572,308
Net Assets	
Without donor restrictions	12,047,588
With donor restrictions	5,377,220
Total Net Assets	17,424,808
Total Liabilities and Net Assets	\$ 17,997,116

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Fundraising events	\$ 1,013,286	\$ 71,253	\$ 1,084,539
Contributions and grants	1,012,643	2,997,215	4,009,858
Contributions - McDonald's related fundraising	439,959	10,998	450,957
Client donations	95,561	2,250	97,811
Net investment earnings	(26,054)	608,583	582,529
In-kind donations	730,052	-	730,052
Employee retention credit	412,089	-	412,089
Other income	16,705	-	16,705
	<u>3,694,241</u>	<u>3,690,299</u>	<u>7,384,540</u>
Total Revenue	3,694,241	3,690,299	7,384,540
Net assets released from restrictions	<u>2,163,456</u>	<u>(2,163,456)</u>	<u>-</u>
Total revenue and other support	<u>5,857,697</u>	<u>1,526,843</u>	<u>7,384,540</u>
Expenses			
Program services:			
House operations	2,464,504	-	2,464,504
Bereavement and family assistance	129,496	-	129,496
Total program services	<u>2,594,000</u>	<u>-</u>	<u>2,594,000</u>
Supporting services:			
Management and general	204,811	-	204,811
Fundraising and special events	1,283,172	-	1,283,172
Cost of direct benefits to donors	43,138	-	43,138
Total supporting services	<u>1,531,121</u>	<u>-</u>	<u>1,531,121</u>
Total Expenses	<u>4,125,121</u>	<u>-</u>	<u>4,125,121</u>
Change in net assets	1,732,576	1,526,843	3,259,419
Net assets, beginning of year	<u>10,315,012</u>	<u>3,850,377</u>	<u>14,165,389</u>
Net assets, end of year	<u>\$ 12,047,588</u>	<u>\$ 5,377,220</u>	<u>\$ 17,424,808</u>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

Expenses	Program Services			Supporting Services			Total Supporting Services	Totals
	House Operations	Bereavement and Family Assistance	Total Program Services	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors		
Salaries	\$ 811,579	\$ 42,860	\$ 854,439	\$ 78,808	\$ 449,341	\$ -	\$ 528,149	\$ 1,382,588
Employee benefits	120,546	6,788	127,334	20,002	67,663	-	87,665	214,999
Payroll taxes	58,535	3,091	61,626	5,684	32,409	-	38,093	99,719
Total salaries and benefits	<u>990,660</u>	<u>52,739</u>	<u>1,043,399</u>	<u>104,494</u>	<u>549,413</u>	<u>-</u>	<u>653,907</u>	<u>1,697,306</u>
Conferences/training	672	-	672	255	556	-	811	1,483
Contract labor	120,654	-	120,654	38,856	11,586	-	50,442	171,096
Bereavement/Burial	-	45,348	45,348	-	-	-	-	45,348
Family assistance	35,448	21,219	56,667	174	43	-	217	56,884
Volunteers	32	-	32	1,636	-	-	1,636	1,668
Program support	-	-	-	-	9,441	-	9,441	9,441
Maintenance/repairs	167,972	-	167,972	-	-	-	-	167,972
Communication services	8,307	289	8,596	531	3,803	-	4,334	12,930
Computer services	40,033	7,299	47,332	4,569	42,434	-	47,003	94,335
Depreciation	482,236	207	482,443	387	3,073	-	3,460	485,903
Development	529	-	529	222	4,162	-	4,384	4,913
House supplies	15,104	194	15,298	355	2,327	-	2,682	17,980
Bad debt expense	-	-	-	(29,367)	-	-	(29,367)	(29,367)
Insurance	24,034	1,331	25,365	3,107	11,770	-	14,877	40,242
Service fees	-	-	-	54,455	77,597	-	132,052	132,052
Special event expenses	18,250	-	18,250	-	57,846	-	57,846	76,096
Postage	1,557	82	1,639	383	894	-	1,277	2,916
In-Kind expense	417,617	-	417,617	20,541	230,956	-	251,497	669,114
Large equipment lease	27,711	785	28,496	1,439	9,195	-	10,634	39,130
Printing	8,987	-	8,987	22	20,894	-	20,916	29,903
Licenses & permits	20	-	20	-	-	-	-	20
Office supplies	61	3	64	2,113	84	-	2,197	2,261
Utilities	80,324	-	80,324	-	-	-	-	80,324
Other	7,259	-	7,259	639	3,925	-	4,564	11,823
Expansion expense	17,037	-	17,037	-	243,173	-	243,173	260,210
Cost of direct benefit to donors	-	-	-	-	-	43,138	43,138	43,138
Total other expenses	<u>1,473,844</u>	<u>76,757</u>	<u>1,550,601</u>	<u>100,317</u>	<u>733,759</u>	<u>43,138</u>	<u>877,214</u>	<u>2,427,815</u>
Total expenses	<u>\$ 2,464,504</u>	<u>\$ 129,496</u>	<u>\$ 2,594,000</u>	<u>\$ 204,811</u>	<u>\$ 1,283,172</u>	<u>\$ 43,138</u>	<u>\$ 1,531,121</u>	<u>\$ 4,125,121</u>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

Cash Flows From Operating Activities:	
Change in net assets	\$ 3,259,419
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	485,903
Donated property and equipment	(68,753)
Donated stock	(59,328)
Land lease	14,844
Bad debt expense	(29,367)
Investments earnings, net	(586,078)
Change in assets and liabilities:	
Promises to give and other receivables	(1,041,228)
Prepaid expenses	(25,117)
Accounts payable	380,807
Deferred revenue	(768,811)
Other liabilities	(14,265)
	<hr/>
Net Cash Flows From Operating Activities	1,548,026
	<hr/>
Cash Flows From Investing Activities:	
Purchases of property and equipment	(875,716)
	<hr/>
Net Cash Flows Used By Investing Activities	(875,716)
	<hr/>
Net Change in Cash and Cash Equivalents	672,310
Cash and Cash Equivalents, beginning of year	2,301,088
	<hr/>
Cash and Cash Equivalents, end of year	\$ 2,973,398
	<hr/> <hr/>
Supplemental disclosure of cash flow information:	
Cash paid for interest expense	\$ -
Cash paid for income taxes	\$ -
	<hr/> <hr/>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Organization

Ronald McDonald House Charities of Central Texas, Inc. (RMHC CTX or Organization) is a nonprofit charitable corporation. It is licensed by McDonald's Corporation and Ronald McDonald House Charities to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs. RMHC CTX's primary goal is to provide temporary, emergency lodging and support services to families with critically ill or injured children. RMHC CTX creates, finds and supports programs that directly improve the health and well-being of children and their families. This is accomplished through the following programs:

Housing Operations: Provides a home-away-from-home for families so they can stay close by their hospitalized child at no cost at the Ronald McDonald House® or at one of 6 Ronald McDonald House® Family Rooms located at various hospitals

Bereavement and Family Assistance: Includes the Healing Hearts burial assistance and bereavement program which provides free bereavement support to help families that have experienced perinatal and infant loss, and the Happy Wheels Hospitality Cart program, which is designed to support families at the hospital by distributing items such as complimentary coffee, snacks, coloring books and toys, toiletries, and other items

The Organization is primarily supported by fundraising events and contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of RMHC CTX have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Estimates

The preparation of financial statements in conformity with GAAP 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. Significant estimates include those used in the allocation of expenses and depreciation. Actual results could differ from those estimates.

RONALD McDONALD HOUSE CHARITIES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At December 31, 2021, the net assets without donor restrictions were undesignated.

Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to donor (or grantor) imposed stipulations. Some donor (or grantor) restrictions are temporary in nature, such as those that require the passage of time or the occurrence of a specific event. Other donor-imposed restrictions are perpetual in nature and require that the assets be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. When the donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

RMHC CTX considers all highly liquid investments with a purchased maturity of three months or less and purchased for use primarily in operations to be cash and cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Net investment earnings are reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Pledges Receivable

RMHC CTX records unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designated to reflect the assumptions market participants would use in pricing the assets. In subsequent years, interest income is included in contribution revenue in the statement of activities. The allowance for doubtful pledges is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. RMHC CTX has recorded an allowance for doubtful pledges of \$7,139 as of December 31, 2021.

RONALD McDONALD HOUSE CHARITIES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Beneficial Interest in Assets Held by the Austin Community Foundation

RMHC CTX established two endowment funds (the Funds) under the Austin Community Foundation (ACF), the RMHC of Austin and Central Texas Endowment Fund and the Raymond and Vivian Todd Endowment Fund. Both funds are perpetual in nature. These funds are managed to accomplish the designated charitable purpose – to provide general support for RMHC CTX. The amount available to grant from the Funds is determined by the ACF Board of Governors’ spending policy, which currently allows for 5% of the Fund’s value at December 31st to be available to grant in the following year. RMHC CTX has granted variance power to the Austin Community Foundation. Both endowment funds are subject to the provision of the articles of incorporation and bylaws of the Austin Community Foundation, including the power reserved by their Board of Governors to modify any condition or restriction on the distribution of funds if in its sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served the ACF. The funds are reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Property and Equipment

Property and equipment in excess of \$7,500 is capitalized and recorded at cost, or if donated, at fair value on the date of donation. Repairs and maintenance are charged to expense. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any gain or loss is included in the statement of activities. Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over their estimated useful lives using the straight-line method of depreciation. Major categories of depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building and improvements	37 years
Furniture and fixtures	3 - 7 years

Deferred Revenue

Deferred revenue of \$35,757 consists of special event underwriting for events occurring after December 31, 2021. During the year ended December 31, 2020, RMHC CTX received a \$1,000,000 conditional matching grant restricted for house expansion of which \$294,150 was recognized as revenue in fiscal year 2020 and the remaining \$705,850 was considered deferred revenue at December 31, 2020. During the year ended December 31, 2021, the remaining \$705,850 was recognized as revenue as the Organization matched this amount in contributions for the capital campaign. In addition, \$48,718 previously recognized as deferred revenue for special event underwriting, was recognized as revenue for the year ended December 31, 2021.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions - Contributions, including unconditional pledges receivable and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

Contracts with Customers - Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When the Organization receives payment in advance, a contract liability is recorded as deferred revenue and then reduced when the revenue is recognized.

Federal Income Taxes

RMHC CTX is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to federal income tax on earnings from any unrelated business activities. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

RMHC CTX regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is “more-likely-than-not” to be sustained upon examination by the relevant taxing authority based on the merits of the position and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely to be realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires RMHC CTX to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. RMHC CTX is subject to income tax audits for the previous three years. There are currently no audits for any tax periods in progress.

Risks and Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact future activities of RMHC CTX. However, the related financial impact of this and other business disruptions cannot be reasonably estimated at this time.

RONALD McDONALD HOUSE CHARITIES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting activities benefited based upon management's estimate of time and resources devoted to the function. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Personnel costs have been allocated based on time and effort spent in each area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of RMHC CTX.

A portion of RMHC CTX's public relations and events efforts include education on the program utilization and impact. Therefore, RMHC CTX allocates 25% of its public relations and event expense to program expense. Relevant expense items include but may not be limited to newsletter, printing, appeal, event expense, donor relations and travel.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the program services, administration and fundraising; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Contributed goods are recorded at fair value at the date of donation.

Change in Not-for-Profit Accounting Standards

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* ("ASU 2020-07"), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual period beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This guidance impacts the presentation of an entity's leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. ASU 2016-02 was scheduled to become effective for fiscal years beginning after December 15, 2019, but has been delayed until annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

3. Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2021:

Within one year	\$ 465,558
In one to five years	484,345
Over five years	-
	<hr/> 949,903
Less discount	(34,397)
Less allowance for doubtful pledges	(7,139)
Pledges receivable, net of allowance for doubtful pledges	<hr/> <u>\$ 908,367</u>

4. Property and Equipment

Balances of major categories of property and equipment are as follows at December 31, 2021:

Buildings and improvements	\$ 11,362,283
Family Rooms	1,437,859
Vehicles	32,000
Furniture and fixtures	197,118
Construction in progress	960,641
Less: Accumulated depreciation	<hr/> (5,903,546)
Property and equipment, net of accumulated depreciation	<hr/> <u>\$ 8,086,355</u>

Depreciation expense was \$485,903 for the year ended December 31, 2021.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

5. Concentrations of Credit Risks

Certain financial instruments potentially subject RMHC CTX to concentrations of credit risk. These financial instruments consist primarily of cash deposits and investments. The cash policy of RMHC CTX limits the amount of credit exposure, and requires that cash be placed with high credit quality financial institutions. Credit risk on investments is limited due to wide diversification of the investment portfolio. The Finance Committee of the Board of Directors conducts regular reviews of the cash and investments portfolios to assure adherence to policy, and makes periodic reports to the Board of Directors. At December 31, 2021, RMHC CTX's deposits exceeded the federal depository insurance limits by \$2,246,902.

RMHC CTX does not maintain collateral for its receivables and does not believe significant credit risk exists as of December 31, 2021.

6. Investments

Investments are stated at fair value and consist of the following as of December 31, 2021:

<u>Description</u>	
Schwab Government Money	\$ 693,906
Wells Fargo Brokerage Cash Sweep	9,050
AMG Yacktman Special Opportunities	50,652
DFA U.S. Large Company Portfolio	869,416
DFA U.S. Large Cap Value I	51,276
DFA U.S. Large Cap Value III	361,260
DFA U.S. Micro Cap Portfolio	291,174
DFA U.S. Small Cap Value	253,854
DFA International Value III Portfolio	210,071
DFA International Value I Portfolio	28,288
DFA Real Estate	170,708
DFA International Small Cap Value	252,163
DFA Five Year Gbl Fixed Income	743,003
DFA Short Term Government Portfolio	1,156,602
Total investments	<u>\$ 5,141,423</u>

RONALD McDONALD HOUSE CHARITIES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

6. Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2021:

Interest, dividends, and other income	\$ 55,479
Unrealized gains	550,166
Investment fees	<u>(23,116)</u>
Investment earnings, net	<u><u>\$ 582,529</u></u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2021:

Subject to expenditure for specified purpose:	
Family Room Program	\$ 804
Capital Expansion	1,359,075
Other programs	<u>4,417</u>
Total purpose restrictions	<u>1,364,296</u>
Subject to the passage of time:	
Time restrictions	142,530
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Restricted by donors for programs	3,217,894
Permanently restricted to general endowment:	
RMHC Endowment Fund Trust	527,500
RMHC of Austin and Central Texas Endowment Fund (ACF)	25,000
Raymond and Vivian Todd Endowment Fund (ACF)	<u>100,000</u>
Total permanently restricted to general endowment	<u><u>652,500</u></u>
Total Net Assets With Donor Restrictions	<u><u>\$ 5,377,220</u></u>

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7. Net Assets With Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

Satisfaction of purpose restrictions:

Healing Hearts Program	\$ 8,219
Family Room Program	8,351
House Program	95,854
Happy Wheels Hospitality Cart Program	13,500
Capital Expansion	1,790,143
Endowment	5,500
Miscellaneous	144,893
Total released from purpose restrictions	<u>2,066,460</u>

Expiration of time restrictions 96,996

Total Net Assets Released from Restrictions \$ 2,163,456

8. Retirement Plan

RMHC CTX has a 403(b) retirement plan (the “Plan”) for employees. The Plan allows all eligible employees to defer a portion of their income on a pretax basis through contributions to the Plan. RMHC CTX matches up to 6% of the employee’s compensation. During the year ended December 31, 2021, RMHC CTX contributed \$69,763 to the Plan.

9. Endowments

Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC CTX has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC CTX retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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9. Endowments (continued)

The remaining portion of the endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by RMHC CTX in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMHC CTX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the organization
- Investment policies of the organization.

As of December 31, 2021, endowment net asset composition by type of fund was as follows:

	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 652,500	\$ 652,500
Accumulated investment gains	3,217,894	3,217,894
Total endowment net assets	\$ 3,870,394	\$ 3,870,394

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHC CTX to retain as a fund of perpetual duration. At December 31, 2021, there were no endowment funds with deficiencies.

Return Objectives and Risk Parameters

RMHC CTX has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. RMHC CTX expects its endowment funds, over time, to provide an average rate of return of approximately 4 to 5% annually based on historical performance. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC CTX 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 CTX's Investment Policy targets a diversified asset allocation that places greater emphasis on fixed-income based investments to achieve its long-term return objectives with prudent risk constraints.

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9. Endowments (continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The account is swept annually and any realized or unrealized gains in excess of the corpus are available to offset program costs.

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,267,311	\$ 3,267,311
Contributions	-	-
Investment earnings, net	608,583	608,583
Appropriated for expense	(5,500)	(5,500)
Endowment net assets, end of year	\$ 3,870,394	\$ 3,870,394

10. Fair Value of Financial Instruments

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

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10. Fair Value of Financial Instruments (continued)

The following table sets forth RMHC CTX's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2021:

Description	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 9,050	\$ -	\$ 9,050	\$ -
Government Bond Funds	693,906	693,906	-	-
Mutual Funds	4,438,467	4,438,467	-	-
Total Investments	<u>\$ 5,141,423</u>	<u>\$ 5,132,373</u>	<u>\$ 9,050</u>	<u>\$ -</u>
Beneficial interest in ACF Endowments	<u>\$ 169,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,166</u>

The reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3) for the year ended December 31, 2021 is included in Note 12.

The carrying value of the financial instruments classified as current assets or current liabilities, including cash and cash equivalents, promises to give, prepaid expenses, accounts payable, deferred revenue and other liabilities, approximate their fair values due to their short maturities.

11. Leases

RMHC CTX entered into a ground lease agreement with the Daughters of Charity Health Services of Austin to build a new house in 2004. The original term of the ground lease was approximately thirty years and began on October 20, 2004. In July 2021, RMHC CTX negotiated an amendment to the lease to have the option to renew the term of the lease for an additional 2 terms of 25 years each. The rent for the entire term of the ground lease is \$10, which was paid in full in 2005. RMHC CTX recognized the fair value of the lease of \$450,363. The value of the lease as of December 31, 2021 is \$195,446.

RMHC CTX entered into a 36-month lease for office space in Bryan, Texas which commenced in January 2017 and expired December 31, 2019. The lease was extended for an additional 48 months commencing January 2020. The monthly rental amount is \$1,600. Total rental expense under this lease was \$19,200 during the year ended December 31, 2021. The future minimum lease payments under this lease are \$19,200 annually in 2022 and 2023.

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11. Leases (continued)

RMHC CTX also leases office equipment under operating lease agreements. Future minimum lease payments for the next five years for all equipment operating leases as of December 31, 2021, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 27,937
2023	22,222
2024	8,127
2025	1,074
2026	537
Total	\$ 59,897

12. Beneficial Interest in Assets Held by the Austin Community Foundation

The beneficial interest in assets held by the Austin Community Foundation was \$169,166 at December 31, 2021 and changes in account value were as follows:

Beginning balance, December 31, 2020	\$ 152,742
Contributions	-
Investment income	23,374
Distributions	(5,500)
Fees	(1,450)
Ending balance, December 31, 2021	\$ 169,166

13. Capital Campaign

In 2020, RMHC CTX began a capital campaign for campus expansion. The *A Place Like Home* \$30M expansion will include the build out of an additional 40,500 feet on the existing campus to accommodate 51 additional guest suites as well as some renovation in the existing structure to better accommodate more families and staff. When the project is complete, RMHC CTX will be able to serve 81 families every night at the Ronald McDonald House. Through December 31, 2021 RMHC CTX has raised a total of \$3,311,320 for the house expansion, of which \$2,721,020 is included in the fiscal year 2021 contribution revenue. Expenditures on the project through December 31, 2021 are \$1,903,377, which includes \$960,641 of construction in progress costs.

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14. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 2,973,398
Promises to give	458,419
Other receivables	419,761
Note receivable	<u>1,200</u>
Total Current Financial Assets	<u>3,852,778</u>

Less those unavailable for general expenditures within one year due to:

Donor-imposed restrictions:

Restricted by donor with purpose restrictions	(1,364,296)
Restricted by time	<u>(142,530)</u>

Financial assets available to meet cash need for general expenditures within one year

\$ 2,345,952

RMHC CTX manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets, less current liabilities, at a minimum of 30 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

In addition, RMHC CTX has the following unrestricted funds included in the investment account that can be available if needed:

Investments, at fair value	\$ 5,141,423
Less permanently restricted to Kroc endowment	(527,500)
Less endowment restricted by donor for programs	<u>(3,217,894)</u>
Total investments available for general expenditures	<u><u>\$ 1,396,029</u></u>

During the year ended December 31, 2021, the level of liquidity and reserves was managed within the policy requirements.

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15. In-Kind Contributions

RMHC CTX records various types of in-kind contributions. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. During the year ending December 31, 2021, RMHC CTX received the following in-kind contributions:

<u>Description</u>	<u>Amount</u>
Facilities and space	\$ 195,687
Professional services	75,862
Donated goods	142,835
House services	21,333
Other	3,441
Advertising	<u>229,956</u>
Total In-Kind Expense	669,114
Amortization of land lease	(14,844)
Donated property and equipment	68,753
Donated labor	<u>7,029</u>
Total In-Kind Contributions	<u><u>\$ 730,052</u></u>

16. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the audited financial statements were available for issuance, July 22, 2022. There were no subsequent events that qualified for disclosure.