

RONALD MCDONALD HOUSE CHARITIES OF
NASHVILLE, TENNESSEE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

RONALD MCDONALD HOUSE CHARITIES OF
NASHVILLE, TENNESSEE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of Nashville, Tennessee, Inc.
Nashville, Tennessee

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Ronald McDonald House Charities of Nashville, Tennessee, Inc. (the "House") which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statement 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 Ronald McDonald House Charities of Nashville, Tennessee, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the House 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 the House'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 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, internal omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Handwritten signature in black ink that reads "Knapf CPAs PLLC".

Nashville, Tennessee
June 10, 2022

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 9,769,980	\$ 7,590,508
Contributions receivable	52,876	46,769
Investments	3,165,073	3,456,922
Property and equipment, net	<u>7,016,937</u>	<u>7,165,575</u>
TOTAL ASSETS	<u>\$ 20,004,866</u>	<u>\$ 18,259,774</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 153,748	\$ 83,824
Accrued expenses	<u>13,189</u>	<u>20,691</u>
TOTAL LIABILITIES	<u>166,937</u>	<u>104,515</u>
<u>NET ASSETS</u>		
Without donor restrictions	13,854,679	12,275,754
With donor restrictions	<u>5,983,250</u>	<u>5,879,505</u>
TOTAL NET ASSETS	<u>19,837,929</u>	<u>18,155,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,004,866</u>	<u>\$ 18,259,774</u>

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions, including in-kind contributions of \$49,400 and \$108,999, respectively	\$ 2,236,091	\$ 165,988	\$ 2,402,079	\$ 1,352,722	\$ 100,742	\$ 1,453,464
Donations and fundraising events of RMHC Global	258,925	-	258,925	222,948	-	222,948
Government grant - Paycheck Protection Loan forgiveness	127,765	-	127,765	127,765	-	127,765
Fundraising events	392,894	-	392,894	339,712	-	339,712
Program revenues	3,045	-	3,045	2,794	-	2,794
Net assets released from restrictions	96,363	(96,363)	-	105,255	(105,255)	-
TOTAL REVENUES AND SUPPORT	3,115,083	69,625	3,184,708	2,151,196	(4,513)	2,146,683
EXPENSES						
Program services	1,156,053	-	1,156,053	1,061,953	-	1,061,953
Supporting services:						
Management and general	206,916	-	206,916	195,698	-	195,698
Fundraising	326,287	-	326,287	342,644	-	342,644
Cost of direct benefit to donors	38,082	-	38,082	38,523	-	38,523
TOTAL EXPENSES	1,727,338	-	1,727,338	1,638,818	-	1,638,818
CHANGE IN NET ASSETS FROM OPERATIONS	1,387,745	69,625	1,457,370	512,378	(4,513)	507,865
INVESTMENT INCOME, NET	191,180	34,120	225,300	377,966	71,300	449,266
CHANGE IN NET ASSETS	1,578,925	103,745	1,682,670	890,344	66,787	957,131
NET ASSETS - BEGINNING OF YEAR	12,275,754	5,879,505	18,155,259	11,385,410	5,812,718	17,198,128
NET ASSETS - END OF YEAR	\$ 13,854,679	\$ 5,983,250	\$ 19,837,929	\$ 12,275,754	\$ 5,879,505	\$ 18,155,259

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021						2020					
	Supporting Services					Total Expenses	Supporting Services					Total Expenses
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total		Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total	
Salaries	\$ 469,220	\$ 80,052	\$ 46,412	\$ -	\$ 126,464	\$ 595,684	\$ 466,051	\$ 79,580	\$ 48,023	\$ -	\$ 127,603	\$ 593,654
Payroll taxes, insurance, and retirement	153,280	33,682	15,957	-	49,639	202,919	130,654	29,701	15,081	-	44,782	175,436
Total Salaries and Related Expenses	622,500	113,734	62,369	-	176,103	798,603	596,705	109,281	63,104	-	172,385	769,090
Postage and printing	52,890	2,963	176,979	-	179,942	232,832	697	3,157	202,173	-	205,330	206,027
Depreciation	133,982	14,656	-	-	14,656	148,638	156,538	17,162	-	-	17,162	173,700
Special events	-	-	69,963	-	69,963	69,963	-	-	63,189	-	63,189	63,189
Utilities and telephone	73,242	-	-	-	-	73,242	80,425	-	-	-	-	80,425
Maintenance	76,732	3,102	-	-	3,102	79,834	35,556	2,996	-	-	2,996	38,552
Miscellaneous	17,925	347	-	-	347	18,272	11,249	1,259	1,800	-	3,059	14,308
Professional fees	5,092	35,089	-	-	35,089	40,181	7,525	40,107	-	-	40,107	47,632
Meetings and newsletter expenses	7,011	11,780	10,382	-	22,162	29,173	3,489	1,794	4,349	-	6,143	9,632
Insurance	28,671	2,715	-	-	2,715	31,386	31,066	2,907	-	-	2,907	33,973
Supplies	7,796	4,025	6,205	-	10,230	18,026	16,421	2,830	7,093	-	9,923	26,344
Bank charges	-	16,101	-	-	16,101	16,101	-	12,401	-	-	12,401	12,401
Recognition	2,700	-	389	-	389	3,089	6,581	-	936	-	936	7,517
House supplies	124,971	-	-	-	-	124,971	114,217	-	-	-	-	114,217
Office equipment	2,413	360	-	-	360	2,773	1,221	-	-	-	-	1,221
Education	128	1,683	-	-	1,683	1,811	263	1,564	-	-	1,564	1,827
Solicitation permits	-	361	-	-	361	361	-	240	-	-	240	240
Fundraising events - direct donor benefits	-	-	-	38,082	38,082	38,082	-	-	-	38,523	38,523	38,523
TOTAL EXPENSES	\$ 1,156,053	\$ 206,916	\$ 326,287	\$ 38,082	\$ 571,285	\$ 1,727,338	\$ 1,061,953	\$ 195,698	\$ 342,644	\$ 38,523	\$ 576,865	\$ 1,638,818

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 1,682,670</u>	<u>\$ 957,131</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	148,638	173,700
Net realized and unrealized (gains) losses on investments	489,096	(314,213)
(Increase) decrease in Assets:		
Contributions receivable	(6,107)	110,862
Increase (decrease) in Liabilities:		
Accounts payable	69,924	(21,978)
Accrued expenses	<u>(7,502)</u>	<u>(26,671)</u>
TOTAL ADJUSTMENTS	<u>694,049</u>	<u>(78,300)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,376,719</u>	<u>878,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(3,160)
Proceeds from sale of investments	5,916	1,575,275
Purchases of investments	<u>(203,163)</u>	<u>(1,678,502)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(197,247)</u>	<u>(106,387)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,179,472	772,444
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,590,508</u>	<u>6,818,064</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,769,980</u>	<u>\$ 7,590,508</u>

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Ronald McDonald House Charities of Nashville, Tennessee, Inc (the House) is a Tennessee nonprofit charitable corporation formed in 1987. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage, and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the House, represent the core functions of Ronald McDonald House Charities of Nashville, Tennessee, Inc.

Ronald McDonald House

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

Ronald McDonald Family Room

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

Basis of presentation

The financial statements of the House have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the House to report information regarding its financial position and activities according to the following net asset classifications:

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the House. These net assets may be used at the discretion of the House's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the House or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions and support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

The House receives capital support from the Middle Tennessee and Southern Kentucky McDonald's Cooperatives, which consist of many operators of McDonald's restaurants in the region. The Cooperatives host various fund-raising campaigns, which benefit the House. These events are typically conducted at the discretion of, and controlled by, the Cooperatives. Proceeds from these events may be restricted. Accordingly, the House receives the net proceeds at the conclusion of such campaigns or events and records these contributions when received.

The House also receives support from donors to sponsor the Family Room at Vanderbilt Children's Hospital. The Family Room is managed by the House and its volunteers. Sponsorship proceeds are restricted for consumable products available in the Family Room. All other contributions are considered to be received for unrestricted use unless specifically restricted by the donor.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The House's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The House has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

In-kind contributions and expenses

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the House reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The House reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Additionally, donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No other amounts have been reflected for donated services because no objective basis is available to measure the value of such service. Nevertheless, a large number of volunteers have given significant amounts of their time to the House's programs, fund-raising campaigns and management. Contributions of \$49,400 and \$108,999 were derived from donated goods and services for the years ended December 31, 2021 and 2020, respectively.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion, no allowance for uncollectable amounts was necessary as of December 31, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition and donation boxes

The House receives contributions from donation boxes located at individual McDonald's restaurant locations across Middle Tennessee and Kentucky. These contributions are collected by a third-party vendor on behalf of Ronald McDonald House Charities Global ("Global") and are remitted to Global, net a collection fee. Global withholds 25% of the net collection amount from these contributions and then remits the remainder to the House.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

The House is required to make significant estimates and exercise judgment in determining the net contributions receivable. The House reviewed all documentation received to determine the estimated amount to be received in future periods and recognized the related estimated revenues in the Consolidated Statements of Activities for the years ended December 31, 2021 and 2020. Annually, the House evaluates its assumptions, judgments and estimates that can have a significant impact on its reported contributions receivable based on the most recent information available, and when necessary, adjusts the balance accordingly. It is at least reasonably possible, that this estimate will change within one year of the date of the financial statements due to one or more confirming events and the effect of that change could be material.

Investments

The House carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Investments consist of McDonald's Corporation Stock and McDonald's Charities Investment Program (McCIP) fixed income and diversified equity accounts and are carried at the quoted market value on the last business day of the reporting period. Investment income (loss) is reported in the period earned as increases (decreases) in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Donor-restricted investment income (loss) is reported as an increase (decrease) in net assets with donor restrictions.

Property and equipment

Property and equipment is recorded at cost at the date of purchase or estimated fair value at the date of gift to the House, less accumulated depreciation, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives as follows:

Buildings and Improvements	30 - 40 Years
Office Furniture and Equipment	5 - 7 Years
Vehicles	5 Years

Impairment of long-lived assets

The House evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The House evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Program and supporting services

The following program and supporting services are included in the accompanying financial statements:

Program services: The 36-bedroom Nashville Ronald McDonald House serves families from across the country and around the world. Since opening in 1991, the House has served over 15,943 families who have come from all 95 counties in Tennessee, 66 counties in Kentucky, 41 other states, 2 U.S. territories and 14 foreign countries. In 2021, despite the world-wide Covid-19 Pandemic, the House remained open, serving 79 families, versus in a typical year, the House serves approximately 500 families. In 2021, 92% of guest families could not afford to pay anything, the House requests a \$15 per night donation from families to stay in the House; however, most families cannot afford to pay.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (continued)

The House has never turned a family away because of their inability to pay. The average monthly occupancy in 2021 was 90% with families staying an average of 25 nights. Even though volunteers were not permitted inside the House, the amazing meal groups and supporters provided 407 catered meals for families in 2021.

Since opening in February 2004, the Ronald McDonald Family Room has served more than 435,973 individuals with an average of 1,400 visitors per month. The Family Room offers a comfortable seating area, a kitchen stocked with snacks and hot coffee, a children's play area, a half bath and the support of caring staff and volunteers. This room is an extension of the House where families and friends of any child receiving treatment in the hospital can enjoy a quiet respite from corridors and waiting rooms, whether or not they're staying at the Ronald McDonald House.

Supporting services: Management and general expenses relate to the overall direction of the House. Activities include House oversight, business management, recordkeeping, financing, board operations, and community planning and networking activities. Fundraising expenses include the costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials. These costs include staff time, materials and other related expenses. Activities related to obtaining financial support include the various annual fundraising campaigns.

Allocation of functional expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include leased employee-related expense, postage and printing, professional fees, meetings and newsletter expenses, supplies, recognition, office equipment, insurance, and education, which are allocated on the basis of estimates of time and effort, and depreciation, utilities and telephone, maintenance, and miscellaneous, which are allocated on the basis of estimates of the related use of the property.

Income taxes

The House qualifies as a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and files a U.S. Federal Form 990. However, income, if any, from certain activities not directly related to the House's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the House qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the House's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of 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. Actual results could differ from those estimates.

Recent Authoritative Accounting Guidance

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for annual reporting periods beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the House's financial statements.

Events occurring after reporting date

The House has evaluated events and transactions that occurred between December 31, 2021 and June 10, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - LIQUIDITY

The following represents the House's financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 9,769,980	\$ 7,590,508
Contributions receivable	52,876	46,769
Investments	<u>3,165,073</u>	<u>3,456,922</u>
Total financial assets	<u>12,987,929</u>	<u>11,094,199</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>5,983,250</u>	<u>5,879,505</u>
	<u>5,983,250</u>	<u>5,879,505</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,004,679</u>	<u>\$ 5,214,694</u>

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer custodian of the House's securities are covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances, such as fraud or failure of the institution. Coverage is limited to \$500,000 per broker/dealer custodian, including up to \$250,000 in cash. The SIPC does not insure against market risk.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$52,876 and \$46,769 were derived from donation boxes for the years ended December 31, 2021 and 2020, respectively.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 5 - INVESTMENTS

Investments consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Certificate of deposit (at cost)	\$ -	\$ 529,204
McDonald's corporate stock	235,109	184,150
Bond mutual funds	1,320,883	1,329,490
Equity mutual funds	<u>1,609,081</u>	<u>1,414,078</u>
	<u>\$ 3,165,073</u>	<u>\$ 3,456,922</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

The House classifies assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets measured at fair value on a recurring basis include the following:

Corporate stock: The fair value of corporate stock is determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

Mutual funds: The fair values of mutual fund investments in equity securities and fixed income securities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

There have been no changes in the valuation methodology used at December 31, 2021 and 2020, respectively.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the House believes the valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The overall investment objective of the House is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The House diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees which oversees the House's investment program in accordance with established guidelines.

Financial assets measured at fair value on a recurring basis consist of the following as of December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Investments				
Corporate stock	\$ 235,109	\$ -	\$ -	\$ 235,109
Mutual funds				
Bond funds	1,320,883	-	-	1,320,883
Equity funds				
Diversified emerging markets	57,057	-	-	57,057
Large value	378,983	-	-	378,983
Large growth	351,739	-	-	351,739
Small value	146,644	-	-	146,644
Foreign large blend	532,463	-	-	532,463
Mid-cap growth	142,195	-	-	142,195
Total investments at fair value	<u>\$ 3,165,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,165,073</u>
	2020			
	Level 1	Level 2	Level 3	Total
Investments				
Corporate stock	\$ 184,150	\$ -	\$ -	\$ 184,150
Mutual funds				
Bond funds	1,329,490	-	-	1,329,490
Equity funds				
Diversified emerging markets	56,415	-	-	56,415
Large value	285,845	-	-	285,845
Large growth	301,670	-	-	301,670
Small value	126,967	-	-	126,967
Foreign large blend	514,120	-	-	514,120
Mid-cap growth	129,061	-	-	129,061
Total investments at fair value	<u>\$ 2,927,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,927,718</u>

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 4,848,285	\$ 4,848,285
Building and improvements	4,679,003	4,679,003
Office furniture and equipment	365,633	365,633
Vehicles	<u>18,931</u>	<u>18,931</u>
	9,911,852	9,911,852
Less accumulated depreciation	<u>(2,894,915)</u>	<u>(2,746,277)</u>
	<u>\$ 7,016,937</u>	<u>\$ 7,165,575</u>

NOTE 8 - NET ASSETS

Net assets consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Without donor restrictions	<u>\$ 13,854,679</u>	<u>\$ 12,275,754</u>
Specific purpose:		
Capital expenditures	4,253,636	4,293,431
Various program expenditures	764,389	619,008
Family Room support	<u>109,225</u>	<u>111,066</u>
	<u>5,127,250</u>	<u>5,023,505</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
House operation endowments	<u>856,000</u>	<u>856,000</u>
Total net assets with donor restrictions	<u>5,983,250</u>	<u>5,879,505</u>
	<u>\$ 19,837,929</u>	<u>\$ 18,155,259</u>

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - ENDOWMENT FUNDS

The House follows accounting principles generally accepted in the United States of America policy, "Not-for-Profit Entities (Topic 958)," which provides guidance on the net asset classification of donor restricted endowment funds for organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The House's endowment consists of two individual funds established by donors to support House operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment designated net asset composition by type of fund as of December 31:

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 856,000	\$ 856,000
Total funds	<u>\$ -</u>	<u>\$ 856,000</u>	<u>\$ 856,000</u>

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 856,000	\$ 856,000
Total funds	<u>\$ -</u>	<u>\$ 856,000</u>	<u>\$ 856,000</u>

Donor restricted endowment funds include \$856,000 at December 31, 2021 and 2020, that are required by the donor to be maintained in perpetuity.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 856,000	\$ 856,000
Investment income, net	-	34,120	34,120
Amounts appropriated for expenditure	-	(34,120)	(34,120)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 856,000</u>	<u>\$ 856,000</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 856,000	\$ 856,000
Investment income, net	-	71,300	71,300
Amounts appropriated for expenditure	-	(71,300)	(71,300)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 856,000</u>	<u>\$ 856,000</u>

Interpretation of UPMIFA

The Board of Trustees of the House have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - ENDOWMENT FUNDS (CONTINUED)

Interpretation of UPMIFA (continued)

As a result of this interpretation, the House classifies as net assets with donor restrictions (a) the original value of donor restricted gifts donated to the Endowment, (b) the original value of subsequently restricted gifts donated to the Endowment, and (c) accumulation of the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the House considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the House
- The investment policies of the House

The House 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. Endowment assets include those assets of donor-restricted funds that the House must hold in perpetuity. Under this policy, as approved by the Finance Committee of the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the inflation index. The House expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the House 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). The House targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The House has a general spending policy of periodically appropriating all appreciation and earnings of the endowment funds through the calendar year-end to provide funds for the general operations of the House, which aligns with the spending policy set forth by the House's initial endowment donor. The House expects the current spending policy to allow its endowment to remain constant and provide a secondary source of funds for the operating expenses of the House. This is consistent with the House's objective to maintain the purchasing power of the endowment assets held in perpetuity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 9 - ENDOWMENT FUNDS (CONTINUED)

Interpretation of UPMIFA (continued)

Additionally, an endowment specific spending policy was instituted by one donor, in which, the donor desires for an annual distribution to be made from the endowment for the purpose of supporting the cost of families housed at the House regardless of their ability to pay. The donor desires for the amount of the annual distribution to be equal to five percent of the average fair market value of the endowment (determined as the close of the immediately preceding calendar year) and for such distribution to be made from the income and other earnings of the endowment only. Although the donor's desire that the endowment annually distribute a set percentage of the annual fair market value of the endowment and that such distribution be made from only the income and other earnings of the endowment and not from the corpus of the endowment shall be taken into consideration, the Corporate Board of Directors of the House ultimately shall not be obligated to follow such desire of the donor and may set the amount of the annual distribution in accordance with the general endowment spending policy of the House notwithstanding whether such amount so set may come in part or in whole from the corpus of the endowment.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The House sponsors a Section 403(b) retirement plan. The plan allows employees to make voluntary contributions, subject to certain limitations under the Internal Revenue Code. The plan provides for discretionary employer contributions that are determined annually by the Board of Directors. The House expensed \$22,697 and \$23,459 related to discretionary contributions to the plan for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 - PAYCHECK PROTECTION PROGRAM

In response to the COVID-19 pandemic, the Paycheck Protection Program ("PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and administered by the Small Business Administration ("SBA"). In April 2020, the House received a loan totaling \$127,765 under the PPP. The loan bore interest at 1.0%. In March 2021, the House received notification that the full balance of the PPP loan had been forgiven. As such, the House recognized \$127,765 of loan forgiveness income on the Statements of Activities and recorded no interest expense relating to this loan.

In February 2021, the House received a second PPP loan totaling \$127,765. The loan bore interest at a fixed rate of 1.0%. In August 2021, the House received notification that the full balance of the second PPP loan had been forgiven. As such, the House recognized \$127,765 of loan forgiveness income on the Statement of Activities and recorded no interest expense relating to this loan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 12 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the Corporation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Corporation, to date, management is continuing to evaluate the evolving situation and will implement appropriate counter measures as needed.