

***Ronald McDonald House Charities
of Norfolk, Virginia, Inc.***

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



Ronald McDonald House Charities of Norfolk, Virginia, Inc.

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

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Independent Auditors' Report

The Board of Directors
Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Norfolk, Virginia

Opinion

We have audited the accompanying financial statements of *Ronald McDonald House Charities of Norfolk, Virginia, Inc.* (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020 and the related statements of activities and cash flows for the years 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 Norfolk, Virginia, Inc.*, as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in conformity 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. 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 Norfolk, Virginia, Inc.*, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Norfolk, Virginia, 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are as a whole 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements 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 Norfolk, Virginia, 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 that 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 Norfolk, Virginia, 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.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, VA
September 15, 2022

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

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

	2021	Restated 2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 260,707	\$ 270,475
Accounts receivable	23,684	22,625
Prepaid expenses	6,570	-
Total Current Assets	<u>\$ 290,961</u>	<u>\$ 293,100</u>
Noncurrent Assets		
Property and equipment, net	\$ 777,175	\$ 835,416
Investments	5,898,025	5,039,898
Total Noncurrent Assets	<u>\$ 6,675,200</u>	<u>\$ 5,875,314</u>
Total Assets	<u>\$ 6,966,161</u>	<u>\$ 6,168,414</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 202	\$ 1,050
Accrued expenses	10,207	9,260
Payroll liabilities	2,861	1,074
Deferred revenue	22,500	-
Total Current Liabilities	<u>\$ 35,770</u>	<u>\$ 11,384</u>
Net Assets		
Without donor restrictions		
Undesignated	\$ 6,322,161	\$ 5,608,800
Board-designated reserve	94,480	34,480
Board-designated endowment	513,750	513,750
Total Net Assets	<u>\$ 6,930,391</u>	<u>\$ 6,157,030</u>
Total Liabilities and Net Assets	<u>\$ 6,966,161</u>	<u>\$ 6,168,414</u>

See independent auditor's report and accompanying notes to the financial statements.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

*Statement of Activities and Net Assets
For the Year Ended December 31, 2021*

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support			
Contributions	\$ 332,710	\$ -	\$ 332,710
Fundraising	136,413	-	136,413
In-kind donations	30,366	-	30,366
Registration	7,901	-	7,901
Grant revenue	52,100	-	52,100
Miscellaneous	1,848	-	1,848
Vending machines, net	(1,422)	-	(1,422)
Total operating revenues and other support	\$ 559,916	- \$	\$ 559,916
Operating expenses			
Program services	\$ 473,409	- \$	\$ 473,409
Management and general administration	27,808	-	27,808
Fundraising	101,274	-	101,274
Total operating expenses	\$ 602,491	- \$	\$ 602,491
Change in net assets from operations	\$ (42,575)	- \$	\$ (42,575)
Non-operating activities			
Loss on disposition of fixed assets	\$ (42,216)	- \$	\$ (42,216)
Investment income, net	858,152	-	858,152
Total non-operating activities	\$ 815,936	- \$	\$ 815,936
Change in net assets	\$ 773,361	- \$	\$ 773,361
Net assets, beginning of year	6,157,030	-	6,157,030
Net assets, end of year	\$ 6,930,391	\$ -	\$ 6,930,391

See independent auditor's report and accompanying notes to the financial statements.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

***Statement of Activities and Net Assets
For the Year Ended December 31, 2020***

	Without Donor Restrictions	With Donor Restrictions	Restated Total
Operating revenues and other support			
Contributions	\$ 394,092	\$ 57,000	\$ 451,092
Fundraising	79,412	-	79,412
In-kind donations	25,807	-	25,807
Registration	8,627	-	8,627
Miscellaneous	1,134	-	1,134
Grant revenue	44,800	-	44,800
Vending machines, net	3,767	-	3,767
Net assets released from restriction	57,000	(57,000)	-
Total operating revenues and other support	\$ 614,639	-	\$ 614,639
Operating expenses			
Program services	\$ 481,885	-	\$ 481,885
Management and general administration	27,658	-	27,658
Fundraising	78,219	-	78,219
Total operating expenses	\$ 587,762	-	\$ 587,762
Change in net assets from operations	\$ 26,877	-	\$ 26,877
Non-operating activities			
Investment income, net	\$ 647,404	-	\$ 647,404
COVID-19 related expenses	(2,292)	-	(2,292)
Total non-operating activities	\$ 645,112	-	\$ 645,112
Change in net assets	\$ 671,989	-	\$ 671,989
Net assets, beginning of year	5,478,255	-	5,478,255
Prior period adjustment	6,786	-	6,786
Net assets, end of year	\$ 6,157,030	\$ -	\$ 6,157,030

See independent auditor's report and accompanying notes to the financial statements.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

**Statement of Functional Expenses
For the Year Ended December 31, 2021**

	Program Services	<u>Supporting activities</u>				
	Ronald McDonald House	Management & General Administration	Fundraising	Support Subtotal	2021 Total	
Salaries and wages	\$ 161,695	\$ 16,170	\$ 53,129	\$ 69,299	\$ 230,994	
Payroll taxes	14,122	673	2,018	2,691	16,813	
Employee benefits	13,541	645	1,934	2,579	16,120	
	<u>\$ 189,358</u>	<u>\$ 17,488</u>	<u>\$ 57,081</u>	<u>\$ 74,569</u>	<u>\$ 263,927</u>	
Advertising	\$ 4,450	\$ -	\$ -	\$ -	\$ 4,450	
Bank charges	3,535	-	-	-	3,535	
Conference and education	264	-	-	-	264	
Cleaning services and supplies	43,285	-	-	-	43,285	
Depreciation	56,190	1,128	-	1,128	57,318	
Direct mail	-	-	7,883	7,883	7,883	
Dues	1,270	-	-	-	1,270	
Family support services and supplies	80,435	-	-	-	80,435	
Fundraising	-	-	31,599	31,599	31,599	
Insurance	32,531	664	-	664	33,195	
Miscellaneous	6,213	-	-	-	6,213	
Office expense	4,116	171	1,655	1,826	5,942	
Postage	-	-	741	741	741	
Professional fees	-	7,000	-	7,000	7,000	
Repairs and maintenance	21,976	448	-	448	22,424	
Taxes and license	240	-	-	-	240	
Technology	11,266	543	1,765	2,308	13,574	
Travel and entertainment	879	-	-	-	879	
Utilities and telephone	17,401	366	550	916	18,317	
Total expenses	<u>\$ 473,409</u>	<u>\$ 27,808</u>	<u>\$ 101,274</u>	<u>\$ 129,082</u>	<u>\$ 602,491</u>	

See independent auditor's report and accompanying notes to the financial statements.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

***Statement of Functional Expenses
For the Year Ended December 31, 2020***

	Program	Supporting activities				
	Services					
	Ronald	Management				Restated
	McDonald	& General			Support	2020
	House	Administration	Fundraising		Subtotal	Total
Salaries and wages	\$ 153,569	\$ 16,284	\$ 50,782	\$ 67,066	\$ 220,635	
Payroll taxes	14,628	746	2,239	2,985	17,613	
Employee benefits	10,947	547	1,526	2,073	13,020	
	<u>\$ 179,144</u>	<u>\$ 17,577</u>	<u>\$ 54,547</u>	<u>\$ 72,124</u>	<u>\$ 251,268</u>	
Advertising	\$ 15,190	\$ -	\$ -	\$ -	\$ 15,190	
Bank charges	2,862	-	-	-	2,862	
Cleaning services and supplies	42,290	-	-	-	42,290	
Conference and education	70	-	-	-	70	
Depreciation	56,351	1,153	-	1,153	57,504	
Direct mail	-	-	17,214	17,214	17,214	
Dues	1,270	-	-	-	1,270	
Family support services and supplies	83,038	-	-	-	83,038	
Fundraising	-	-	3,543	3,543	3,543	
Insurance	38,974	795	-	795	39,769	
Miscellaneous	149	-	-	-	149	
Office expense	2,090	107	319	426	2,516	
Postage	-	-	1,080	1,080	1,080	
Professional fees	-	6,750	-	6,750	6,750	
Program expense	9,537	-	-	-	9,537	
Repairs and maintenance	22,487	459	-	459	22,946	
Taxes and license	250	-	-	-	250	
Technology	4,594	234	703	937	5,531	
Travel and entertainment	440	-	-	-	440	
Utilities and telephone	23,149	583	813	1,396	24,545	
Total expenses	<u>\$ 481,885</u>	<u>\$ 27,658</u>	<u>\$ 78,219</u>	<u>\$ 105,877</u>	<u>\$ 587,762</u>	

See independent auditor's report and accompanying notes to the financial statements.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

***Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020***

	2021	Restated 2020
Cash Flows from Operating Activities		
Change in net assets	\$ 773,361	\$ 671,989
Adjustments to reconcile change in net assets to cash provided by operating and nonoperating activities		
Depreciation	57,318	57,504
Unrealized (gains) losses on investments	(562,032)	(510,982)
Loss on disposition of fixed assets	42,216	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,059)	(22,625)
(Increase) decrease in prepaid expenses	(6,570)	-
Increase (decrease) in accounts payable	(848)	(2,307)
Increase (decrease) in accrued expenses	947	(3,417)
Increase (decrease) in deferred revenue	22,500	-
Increase (decrease) in payroll liabilities	1,787	448
Net cash flows provided by operating and non-operating activities	<u>\$ 327,620</u>	<u>\$ 190,610</u>
Cash Flows from Investing Activities		
Purchase of investments and reinvestment of income	\$ (296,094)	\$ (136,146)
Changes in certificates of deposits	-	203,911
Purchase of property and equipment and related reserve	(41,294)	(57,000)
Net cash flows provided (used) by investing activities	<u>\$ (337,388)</u>	<u>\$ 10,765</u>
Increase (decrease) in cash and cash equivalents	\$ (9,768)	\$ 201,375
Cash and cash equivalents, beginning of year	<u>270,475</u>	<u>69,100</u>
Cash and cash equivalents, end of year	<u>\$ 260,707</u>	<u>\$ 270,475</u>

See independent auditor's report and accompanying notes to the financial statements.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 1. Organization and Significant Accounting Policies

Nature of activities

The Ronald McDonald House Charities of Norfolk, Virginia (the Organization), is a Virginia nonprofit charitable corporation formed in 1981. The organization provides temporary housing and other assistance for critically and seriously ill children and their families during periods when the children are undergoing treatment at Children's Hospital of the King's Daughters, Norfolk, Virginia. The Organization also raises funds to provide grants to other organizations.

Measure of operations

The Organization's change in net assets from operations on the statements of activities includes operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restriction and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. 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. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for doubtful accounts by evaluating individual receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Accounts receivable are written off when deemed to be uncollectible. Recoveries of accounts receivable previously written off are recorded when received. There is no allowance recorded as of December 31, 2021 and 2020.

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 1. Organization and Significant Accounting Policies (continued)

Fair value measurement

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined base on assumptions that market participants would use in pricing an asset or liability. A hierarch for inputs is used in measuring fair value that maximizes the use of unobservable inputs by requiring that the most observable inputs be use when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quotes prices for identical assets or liabilities in active markets.

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less in active markets, such as dealer or broker markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer or broker-trader transactions.

Fair values for Level 1 investments are determined by reference to quoted prices and other relevant information generated by market transactions. Fair values for Level 2 investments are determined by reference to quoted prices for similar assets or liabilities in active markets. Fair values for Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair values due to the short-term maturities of those investments. There have been no changes in valuation techniques and related inputs.

Property and equipment

Property and equipment are recorded at cost and depreciation is calculated using the Modified Accelerated Cost Recovery System and straight-line methods based over the following useful lives ranging from 5 to 39 years. Additions or betterments of \$500 or more are capitalized, while repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed currently.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2021 and 2020, management determined that no impairment loss needs to be recognized.

Use of estimates

The preparation of financial statements in conformity with U. S. GAAP requires the Organization to make estimates and assumption that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 1. Organization and Significant Accounting Policies (continued)

Donated assets, property and equipment, and services

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 restriction 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 donated assets are to be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies net assets with donor restriction to net assets without donor restriction. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skill, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

Income taxes

The Corporation is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Corporation's tax-exempt purpose will be subject to taxation as unrelated business income.

The Corporation follows the statutory requirements for its income tax and accounting and generally avoids risks associated with tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Corporation's tax-exempt status would not have a material effect on the financial statements. Generally, the organizations tax returns remain open for federal income tax examination for three years from the date of filing.

Financial instruments and credit risk

The carrying amounts approximate fair value based on quoted market prices or discounted cash flows analysis for cash equivalents and other financial instruments. The Corporation is subject to some credit risk through short term cash investments which are placed with high quality financial institutions. The balances in excess of federally insured or other insured limits were \$16,125 and \$20,175 at December 31, 2021 and 2020.

Reclassifications

Certain amounts have been reclassified for the year end December 31, 2020 to conform to the presentation for the year ended December 31, 2021. The reclassifications had no impact on previously reported net assets.

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 1. Organization and Significant Accounting Policies (continued)

Functional expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: salaries and wages, employee benefits, and payroll taxes which are allocated on the basis of estimated time and effort;; depreciation, utilities, repairs and maintenance, which are based on a square footage allocation; office expense, postage, and travel and entertainment which are estimates of usage.

Net assets

The Organization's net assets and changes therein are classified and reported as follows:

Without Donor Restriction- Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restriction, net assets from reserve for replacements and board designated endowment.

With Donor Restriction- Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions, grants, and bequests are recognized as net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulation that limit the use, of the donated assets. Donor-imposed restrictions are released when a restrictions expires, that is, when a stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. We report contributions restricted by donors as increases in net assets without donor restrictions if the restriction expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Reserve for replacements

The Organization is accumulating funds in the reserve for replacements based on estimates of future needs for repairs and replacements of property. The funding for such repairs and replacements is over the estimated useful lives based on current replacement costs. Actual expenditures, however, may vary from the estimated amounts and variations may be material. The funds are designated by the board for replacements amounted to \$94,480 and \$34,480 for the years ended December 31, 2021 and 2020.

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 1. Organization and Significant Accounting Policies (continued)

Investments

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

Note 2. Endowment Funds

The Organization's endowment consists of restricted assets of 10,000 shares of Ronald McDonald stock donated in 1993 by Mrs. Kroc and recorded at its fair value.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds. As a result of the interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment (b) the original value of the subsequent gifts to the endowment, and (c) accumulation 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. In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1 The duration and preservation of the fund
- 2 The purpose of the Organization and the donor-restricted endowment fund
- 3 General economic conditions
- 4 The possible effect of inflation and deflation
- 5 The expected total return from income and the appreciation of investments
- 6 Other resources of the Organization
- 7 The investment policies of the Organization

Changes in endowment net assets and type of fund were as follows for fiscal year end as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	33,120	-	33,120
Appropriation of expenditure	(33,120)	-	(33,120)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 513,750</u>

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 2. Endowment Funds (concluded)

Changes in endowment net assets and type of fund were as follows for fiscal year end as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	30,240	-	30,240
Appropriation of expenditure	(30,240)	-	(30,240)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 513,750</u>

Investment Return Objectives, Risk Parameters and Strategies.

The Organization has adopted an investment policy for the endowment assets that attempt to provide stream of funding to the programs supported by the endowments. The endowment assets are in the form of the original stock donated to the organization. The investment return in the form of earning and dividends are unrestricted for use of the Ronald McDonald House operations.

Note 3. Net Assets Released from Restrictions

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

	2021	2020
House renovations	<u>\$ -</u>	<u>\$ 57,000</u>

Note 4. Net Assets Without Donor Restrictions

The Organization's governing board has designated net assets without donor restrictions for the following purposes as of December 31:

	2021	2020
Board-Designated Reserve	\$ 94,480	\$ 34,480
Board-Designated Endowment	513,750	513,750
	<u>\$ 608,230</u>	<u>\$ 548,230</u>

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 5. Investments

Investments are stated at fair value and are summarized as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2021:				
Equity securities:				
U.S. Corporate	\$ 1,608,420	\$ -	\$ -	\$ 1,608,420
Cash and cash equivalents	294,026	-	-	294,026
Mutual Funds				
Domestic equity	3,290,238	-	-	3,290,238
International equity	697,929	-	-	697,929
Debt securities:				
U.S. Treasury	7,251	-	-	7,251
Asset backed	161	-	-	161
	<u>\$ 5,898,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,898,025</u>

December 31, 2020:				
Equity securities:				
U.S. Corporate	\$ 1,287,480	\$ -	\$ -	\$ 1,287,480
Cash and cash equivalents	262,337	-	-	262,337
Mutual Funds				
Domestic equity	2,604,651	-	-	2,604,651
International equity	877,399	-	-	877,399
Debt securities:				
U.S. Treasury	7,792	-	-	7,792
Asset backed	239	-	-	239
	<u>\$ 5,039,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,039,898</u>

Investment income consists of:	2021	2020
Interest and dividend income	\$ 89,403	\$ 87,845
Capital gains	206,717	48,577
Realized and unrealized gains (losses), net	562,032	510,982
	<u>\$ 858,152</u>	<u>\$ 647,404</u>
Gross unrealized holding gains (losses)	<u>\$ 2,649,749</u>	<u>\$ 2,087,717</u>

See independent auditor's report. Notes continued on next page.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.
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Note 6. Property and Equipment

Property and equipment consist of:	2021	2020
Land	\$ 80,461	\$ 80,461
Buildings	1,207,805	1,301,051
Improvements	418,027	413,338
Furniture and fixtures	172,497	172,497
Equipment	62,522	74,425
Parking lot	21,129	21,021
	<u>\$ 1,962,441</u>	<u>\$ 2,062,793</u>
Accumulated depreciation	(1,185,266)	(1,227,378)
	<u>\$ 777,175</u>	<u>\$ 835,415</u>

Depreciation expense totaled \$57,318 and \$57,504 for the years ending December 31, 2021 and 2020.

Note 7. Employee Benefit Plans

In 1993, the organization started a SAR-SEP plan covering substantially all employees. Under the plan, the Organization annually contributes seven percent of employees' gross pay. Plan expenses incurred were \$16,120 and \$13,020 for the years ending December 31, 2021 and 2020, respectively.

Note 8. Donated Good and Services

The fair value of donated goods and services included as contributions in the financial statements and corresponding expense categories for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Professional fees	\$ 3,375	\$ 3,375
Property and equipment	10,565	11,060
Service contracts	9,999	11,060
Promotional	-	800
Utilities	3,444	4,168
Supplies	2,983	6,404
	<u>\$ 30,366</u>	<u>\$ 36,867</u>

Note 9. Payroll Protection Program

In 2021, the Organization received loan proceeds in the amount of \$52,100 to fund payroll through the Paycheck Protection Program (the PPP). On December 31, 2021, the PPP loan proceeds were forgiven by the U.S. Small Business Administration (SBA). The organization recognized these proceeds as grant revenue on the Statement of Activities during the year ended December 31, 2021.

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Ronald McDonald House Charities of Norfolk, Virginia, Inc.
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Note 9. Payroll Protection Program (continued)

In 2020, the Organization received loan proceeds in the amount of \$44,800 to fund payroll through the Paycheck Protection Program (the PPP). On December 31, 2020, the PPP loan proceeds were forgiven by the U.S. Small Business Administration (SBA). The organization recognized these proceeds as grant revenue on the Statement of Activities during the year ended December 31, 2020.

Note 10. Liquidity and reserves

The following represents the Organization's financial assets at December 31, 2021:

Financial assets at year end:

Cash	\$ 260,707
Investments	<u>5,898,025</u>
Total financial assets	\$ 6,158,732
Less amounts not available to be used within one year:	
Net assets board designated	<u>(608,230)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,550,502</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization 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.

Note 11. Restatement

During the year ended December 31, 2021, it was determined that the replacements expense and reserve for replacements were not properly recorded in the prior year. As a result, the statement of activities and changes in net assets and the statement of functional expenses have been restated at December 31, 2020. The restatement increased expenses by \$35,159 and had no effect on net assets.

Note 12. Subsequent Event

Management has evaluated subsequent events through September 15, 2022, the date on which the financial statements were available to be issued. No events have occurred since the statement of financial position date that would have a material impact on the financial statements.

See independent auditor's report.