

RONALD McDONALD HOUSE CHARITIES  
OF WESTERN WASHINGTON & ALASKA

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2021 AND 2020

RONALD McDONALD HOUSE CHARITIES  
OF WESTERN WASHINGTON & ALASKA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ronald McDonald House Charities of Western Washington & Alaska  
Seattle, Washington

**Opinion**

We have audited the accompanying financial statements of Ronald McDonald House Charities of Western Washington & Alaska (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively '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 Western Washington & Alaska 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 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 Western Washington & Alaska 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Western Washington & Alaska's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 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 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 Western Washington & Alaska'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 Western Washington & Alaska'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.



Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
October 5, 2022

RONALD McDONALD HOUSE CHARITIES  
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,976,797	\$ 2,806,679
Investments	15,926,272	18,818,017
Promises to give	302,613	1,299,223
Other receivables	30,450	26,530
Prepays	<u>47,036</u>	<u>30,490</u>
Total Current Assets	21,283,168	22,980,939
<b>Investments - long-term</b>	3,749,267	3,679,225
<b>Promises to Give - long-term</b>	226,825	384,350
<b>Cash and Cash Equivalents Restricted to Investment in Property and Equipment</b>	351,722	351,722
<b>Property and Equipment, net</b>	<u>18,678,443</u>	<u>13,576,370</u>
Total Assets	<u>\$ 44,289,425</u>	<u>\$ 40,972,606</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 571,623	\$ 578,269
Deferred revenue	33,000	18,478
Capital lease obligation, current	<u>1,725</u>	<u>1,280</u>
Total Current Liabilities	606,348	598,027
<b>Capital Lease Obligation, less current portion above</b>	<u>7,148</u>	<u>-</u>
Total Liabilities	<u>613,496</u>	<u>598,027</u>
<b>Net Assets</b>		
Without donor restrictions		
Invested in property and equipment	15,722,499	10,620,426
Board designated	<u>19,218,233</u>	<u>21,714,263</u>
Total Net Assets Without Donor Restrictions	34,940,732	32,334,689
With donor restrictions	<u>8,735,197</u>	<u>8,039,890</u>
Total Net Assets	<u>43,675,929</u>	<u>40,374,579</u>
Total Liabilities and Net Assets	<u>\$ 44,289,425</u>	<u>\$ 40,972,606</u>

See notes to financial statements.

RONALD McDONALD HOUSE CHARITIES  
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support</b>						
Annual giving	\$ 1,949,310	\$ 291,968	\$ 2,241,278	\$ 1,593,771	\$ 564,694	\$ 2,158,465
Capital campaign	-	688,228	688,228	-	3,537,480	3,537,480
McDonald's support	668,784	-	668,784	658,262	-	658,262
Special events	248,988	335,855	584,843	367,966	417,349	785,315
Planned giving	558,440	-	558,440	90,176	-	90,176
Paycheck Protection Program	-	-	-	390,150	-	390,150
In-kind contributions	253,728	-	253,728	236,161	-	236,161
Satisfaction of purpose restrictions	700,848	(700,848)	-	835,384	(835,384)	-
Total Public Support	4,380,098	615,203	4,995,301	4,171,870	3,684,139	7,856,009
<b>Revenues</b>						
Room receipts	381,725		381,725	405,631		405,631
Other revenue	(8,780)		(8,780)	(2,765)		(2,765)
Total Revenues	372,945		372,945	402,866		402,866
Total Public Support and Revenue	4,753,043	615,203	5,368,246	4,574,736	3,684,139	8,258,875
<b>Expenses</b>						
Program services	3,572,306		3,572,306	3,543,361		3,543,361
Management and general	283,329		283,329	321,793		321,793
Cost of direct benefits to donors	-		-	3,372		3,372
Fundraising	699,549		699,549	682,653		682,653
Remittance to Global	38,734		38,734	54,599		54,599
Total Expenses	4,593,918		4,593,918	4,605,778		4,605,778
Change in Net Assets Before Gains and Losses	159,125	615,203	774,328	(31,042)	3,684,139	3,653,097
<b>Gains and Losses</b>						
Investment income, net	2,446,918	80,104	2,527,022	2,078,321	51,383	2,129,704
Total Change in Net Assets	2,606,043	695,307	3,301,350	2,047,279	3,735,522	5,782,801
Net Assets - beginning of year	32,334,689	8,039,890	40,374,579	30,287,410	4,304,368	34,591,778
Net Assets - end of year	\$ 34,940,732	\$ 8,735,197	\$ 43,675,929	\$ 32,334,689	\$ 8,039,890	\$ 40,374,579

See notes to financial statements.

RONALD McDONALD HOUSE CHARITIES  
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021					2020				
	Program Services	Management and General	Cost of Direct Donor Benefits	Fundraising	Total	Program Services	Management and General	Cost of Direct Donor Benefits	Fundraising	Total
Salaries and wages	\$ 1,190,286	\$ 175,308	\$ -	\$ 341,398	\$ 1,706,992	\$ 1,222,078	\$ 180,048	\$ -	\$ 350,517	\$ 1,752,643
Payroll taxes	107,864	15,886	-	30,938	154,688	104,654	15,419	-	30,017	150,090
Employee benefits	245,062	37,111	-	69,460	351,633	229,874	33,867	-	65,933	329,674
Total Salaries and Related Expenses	1,543,212	228,305	-	441,796	2,213,313	1,556,606	229,334	-	446,467	2,232,407
Occupancy	910,798	-	-	-	910,798	905,537	-	-	-	905,537
Depreciation	384,467	5,945	-	5,945	396,357	394,075	6,094	-	6,094	406,263
Alaska House support	327,893	-	-	-	327,893	325,074	-	-	-	325,074
In-kind expense	253,728	-	-	-	253,728	236,161	-	-	-	236,161
Professional services	1,968	20,876	-	37,923	60,767	1,823	67,294	-	36,975	106,092
Administrative and operating	47,024	17,930	-	68,912	133,866	45,620	11,287	-	40,843	97,750
Armored car expenses	-	-	-	89,222	89,222	-	-	-	84,281	84,281
Special events expenses	-	-	-	46,887	46,887	-	-	3,372	66,689	70,061
Insurance	56,530	6,727	-	-	63,257	55,668	6,185	-	-	61,853
Loss on disposal of equipment	-	-	-	-	-	15,681	243	-	243	16,167
Miscellaneous	46,686	3,546	-	8,864	59,096	7,116	1,356	-	1,061	9,533
Total Expenses	\$ 3,572,306	\$ 283,329	\$ -	\$ 699,549	4,555,184	\$ 3,543,361	\$ 321,793	\$ 3,372	\$ 682,653	4,551,179
Remittance to Global					38,734					54,599
Total Expenses and Remittance to Global					\$ 4,593,918					\$ 4,605,778

RONALD McDONALD HOUSE CHARITIES  
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,301,350	\$ 5,782,801
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	396,357	406,263
Reinvested investment earnings	(248,398)	(302,700)
Realized and unrealized gain on investments	(2,278,679)	(1,825,970)
Loss on disposal of assets	-	16,167
Contributions restricted to investment in property and equipment	(688,228)	(3,537,480)
Change in:		
Promises to give	(324,514)	(74,394)
Other receivables	(3,920)	29,460
Prepays	(16,546)	(2,456)
Accounts payable and accrued expenses	55,390	(102,414)
Deferred revenue	14,522	-
Net Cash Provided by Operating Activities	<u>207,334</u>	<u>389,277</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(5,551,038)	(3,075,773)
Purchases of investments	(15,189,551)	(13,687,478)
Proceeds from sale of investments	<u>20,538,331</u>	<u>15,495,658</u>
Net Cash Used by Investing Activities	<u>(202,258)</u>	<u>(1,267,593)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted to investment in property and equipment	2,166,877	2,058,831
Payment on capital lease obligation	<u>(1,835)</u>	<u>(1,838)</u>
Net Cash Provided by Financing Activities	<u>2,165,042</u>	<u>2,056,993</u>
Change in Cash and Cash Equivalents	2,170,118	1,178,677
Total Cash and Cash Equivalents - beginning of year	<u>3,158,401</u>	<u>1,979,724</u>
Total Cash and Cash Equivalents - end of year	5,328,519	3,158,401
Less: Cash and Cash Equivalents Restricted to Investment in Property and Equipment	<u>(351,722)</u>	<u>(351,722)</u>
Cash and Cash Equivalents	<u>\$ 4,976,797</u>	<u>\$ 2,806,679</u>

See notes to financial statements.



RONALD MCDONALD HOUSE CHARITIES OF  
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ronald McDonald House Charities of Western Washington & Alaska (RMHC) owns and operates the Seattle Ronald McDonald House. With 80 rooms, the Seattle House provides supportive, temporary lodging to families of seriously ill children who must leave their own community to have their children treated at Seattle Children's Hospital (Children's). In 2021, 330 families stayed at the Seattle House. By providing a "home-away-from-home," RMHC helps keep families together during a very difficult time in their lives.

RMHC also operates a House in Anchorage, Alaska, in partnership with the Alaska Native Medical Center (ANMC). The 34-room House is within the patient housing building and serves expectant mothers with high risk pregnancies as well as families of pediatric patients at the Alaska Native Medical Center. In 2021, 1704 families were served at ANMC.

RMHC also provides van service in Anchorage to transport families who are in Anchorage while their children receive medical care.

Basis of presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated net assets otherwise without donor restrictions as follows as of December 31:

	<u>2021</u>	<u>2020</u>
House operations	\$ 16,218,233	\$ 18,714,263
Capital improvements	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 19,218,233</u>	<u>\$ 21,714,263</u>

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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.

RONALD MCDONALD HOUSE CHARITIES OF  
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions are available as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure or use for specific purpose:		
Promised land use	2,955,944	\$ 2,955,944
AK equipment & supply grants	11,918	15,777
Capital improvements	351,722	351,722
RMHC house expansion	4,378,528	3,690,300
RMHC house operations	<u>287,818</u>	<u>346,922</u>
	7,985,930	7,360,665
Subject to RMHC endowment spending policy and appropriation	<u>749,267</u>	<u>679,225</u>
Total net assets with donor restrictions	<u>\$ 8,735,197</u>	<u>\$ 8,039,890</u>

Contributions restricted by donors are reported increases in net assets with donor restrictions when received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Cash and cash equivalents

Cash and 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. RMHC's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. RMHC has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on unadjusted quoted prices in active markets for identical assets and liabilities.

RONALD MCDONALD HOUSE CHARITIES OF  
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

RMHC 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. Market risk could occur and is dependent on future changes in market prices of the various investments held. Investment returns are reflected net of investment expenses.

RMHC maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Certain investments are being held for the following long-term purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Capital improvements	\$ 3,000,000	\$ 3,000,000
Endowment	749,267	679,225
	<u>\$ 3,749,267</u>	<u>\$ 3,679,225</u>

Promises to give

In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received and as assets, reduction of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give at December 31, 2021 and 2020 are \$529,438 and \$1,683,573, respectively, which are considered fully collectible by management. Long-term promises to give are due in one to five years.

RONALD MCDONALD HOUSE CHARITIES OF  
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicaid receivables

In accordance with financial accounting standards, room receipts from Medicaid are recognized as revenue in the period earned and recorded as receivables if not paid by year-end. Amounts receivable from Medicaid at December 31, 2021 and 2020 are \$30,450 and \$26,530, respectively, and are included in other receivables.

Property and equipment

Expenditures for the acquisition of equipment are capitalized at cost. The fair value of donated property, including long-term land leases, and equipment is capitalized on the date of donation. RMHC capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided over the estimated useful lives of the assets on the straight-line method. RMHC uses the direct expensing method to account for planned maintenance activities. Property and equipment consist of the following as of December 31:

	Estimated <u>Useful Lives</u>	<u>2021</u>	<u>2020</u>
Land		\$ 5,457,802	\$ 5,457,802
Building and improvements	15-40 years	13,679,610	13,738,225
Furniture and fixtures	5-7 years	2,514,540	2,301,770
Automobiles	5 years	144,592	144,592
Construction in progress		<u>6,905,989</u>	<u>1,628,949</u>
		28,702,533	23,271,338
Accumulated depreciation		<u>(10,024,090)</u>	<u>(9,694,968)</u>
		<u>\$ 18,678,443</u>	<u>\$ 13,576,370</u>

Children's Health Care System (an affiliate of Children's) holds title to, and is the landlord for, all real estate (land) associated with grounds of the RMHC houses. The ground lease associated with the original house is for \$1 per year for a term of 99 years, from May 1983 through April 2082. The use of the land is restricted for the purposes of operating the house or a similar facility. The estimated fair value of the land in 1983, when its use was first donated, was \$829,544. The value of the land is included in net assets with donor restrictions.

The ground lease associated with the second house is for \$1 per year for a term of 99 years, from September 2002 through August 2101. The lease requires the lessor's prior written permission for changes in the agreed upon use of the second house, assignment, subletting, and significant changes related to the initial construction.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, the lease prohibits use of the building as collateral except for a construction loan, and gives the lessor first right to purchase the buildings and equipment at the expiration of the lease term. The estimated fair value of the land in 2002, when its use was first donated, was \$2,126,400. The value of the land is included in net assets with donor restrictions.

Impairment of long-lived assets

RMHC 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. RMHC 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. No impairment losses were recognized for the years ended December 31, 2021 or 2020.

Support and revenue recognition

RMHC recognizes revenue from room stays in the period in which the room is occupied. RMHC records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

RMHC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. RMHC had no conditional promises to give as of December 31, 2021 or 2020.

Donated goods and services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their estimated 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, RMHC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMHC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

RONALD MCDONALD HOUSE CHARITIES OF  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by RHMC. However, many individual volunteers donate significant amounts of time and perform a variety of tasks that assist RMHC. For the years ended December 31, 2021 and 2020, management estimates that RMHC received approximately 8,725 and 14,719 hours with estimated values of \$261,314 and \$420,109, respectively. These services do not meet the criteria for recognition and are, therefore, not included in the financial statements.

Donated assets, goods, and services meeting the criteria for recognition were used for program services and were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Donated goods	\$ 229,407	\$ 225,761
Donated services	<u>24,321</u>	<u>10,400</u>
Total in-kind contributions and expense	<u>\$ 253,728</u>	<u>\$ 236,161</u>

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category.

Certain categories of expenses are attributable to one or more program or supporting functions requiring allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, maintenance and repairs, and utilities, which are allocated on a square footage basis; printing, postage, office supplies, technology and telephone, which are allocated based on full-time equivalents; and salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of time and effort.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

RONALD MCDONALD HOUSE CHARITIES OF  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Internal Revenue Service has recognized Ronald McDonald House Charities of Western Washington & Alaska as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. RMHC follows the provisions of authoritative guidance related to accounting for uncertain tax positions. As of December 31, 2021 and 2020, RMHC did not have any uncertain tax positions requiring accrual.

NOTE B - LIQUIDITY

RMHC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses. Financial assets in excess of the daily cash requirements are invested in a managed stock portfolio. Financial assets available to meet cash needs for general expenditures within one year as of December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 25,563,946	\$ 27,365,746
Less financial assets not available for general operations within one year:		
Promise to give due in more than one year	(226,825)	(384,350)
Net assets with donor restrictions - non-operating	(363,640)	(367,499)
Board designated capital improvement reserve	(3,000,000)	(3,000,000)
Endowments	<u>(749,267)</u>	<u>(679,225)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,224,214</u>	<u>\$ 22,934,672</u>

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2021 and 2020 is as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2021:				
Cash and money market funds	\$ 143,893	\$ -	\$ -	\$ 143,893
Equity funds	14,303,500	-	-	14,303,500
Fixed income funds	4,856,278	-	-	4,856,278
Alternative investment funds	<u>371,868</u>	<u>-</u>	<u>-</u>	<u>371,868</u>
Total Assets shown at Fair Value	<u>\$ 19,675,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,675,539</u>

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NOTE C - FAIR VALUE MEASUREMENTS (Continued)

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2020:				
Cash and money market funds	\$ 3,956,787	\$ -	\$ -	\$ 3,956,787
Equity funds	12,334,812	-	-	12,334,812
Fixed income funds	5,723,358	-	-	5,723,358
Alternative investment funds	<u>482,285</u>	<u>-</u>	<u>-</u>	<u>482,285</u>
Total Assets shown at Fair Value	<u>\$ 22,497,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,497,242</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. RMHC also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - RELATED PARTY TRANSACTIONS

Under the terms of its affiliation agreement with Ronald McDonald House Charities, Inc., RMHC is obligated to remit 25% of certain contributions, net of fundraising expenses, to that national group on a regular basis. For the years ended December 31, 2021 and 2020, RMHC incurred obligations of \$38,734 and \$54,599, respectively, to the national group, of which \$6,182 and \$9,971, respectively, was included in accounts payable at December 31, 2021 and 2020.

NOTE E - RETIREMENT PLAN

RMHC sponsors a 401(k) defined contribution plan (the Plan). The Plan covers all employees from date of hire. RMHC's contributions to the Plan are at the discretion of the Board of Directors. Currently, RMHC will make a 4% contribution for all eligible employees, based on salary, and match an additional 1% of employee contributions. RMHC's contributions for the years ended December 31, 2021 and 2020 totaled \$85,294 and \$86,495, respectively.

NOTE F - OPERATING AGREEMENT

RMHC and Seattle Children's Hospital have a Memorandum of Understanding which is negotiated and renewed annually. RMHC provides rooms exclusively for families of patients at Children's and Children's provides annual financial support. For the years ended December 31, 2021 and 2020, \$524,244 and \$499,280, respectively, was paid. For the year ending December 31, 2022, \$550,452 will be paid.



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NOTE G – COMMITMENTS

In July 2020, RMHC entered into a \$6,300,000 construction contract for a new building. As of December 31, 2021, approximately \$1,658,972 remained on this contract.

In August 2021, RMHC entered into a non-cancelable capital lease for certain office equipment with a cost of \$9,428. Accumulated depreciation totaled \$629 as of December 31, 2021. Depreciation expense reported in the statements of activities includes \$629 for the equipment under capital lease. Monthly payments are \$296 including taxes, service fees and interest at 5.2% per annum. Scheduled lease payments for the years ending December 31 are as follows:

2022	\$	2,145
2023		2,145
2024		2,145
2025		2,145
2026		<u>1,432</u>
		10,012
Less amounts representing interest		<u>(1,139)</u>
	\$	<u>8,873</u>

NOTE H - ENDOWMENT

RMHC's endowment consists of one donor restricted fund ("the Fund") established in 1993 by Mrs. Kroc to help with ongoing "operating expenses." In accordance with financial accounting standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no funds designated by the Board of Directors to function as endowments.

Interpretation of Relevant Law

Based on the Board of Directors' interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in the State of Washington, the original amount of donor-restricted contributions to the endowment plus any required accumulations are not expendable.

As a result of this interpretation, RMHC classifies as net assets with donor restrictions (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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NOTE H - ENDOWMENT (Continued)

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

One hundred percent of the endowment's earnings are available to be spent in the year earned on operating expenses. These earnings represent interest and dividends, exclusive of gains and losses. In establishing this policy, RMHC considered the long-term expected return on its endowment. Accordingly, over the long term, RMHC expects the current spending policy to allow its endowment to maintain purchasing power of the assets held in perpetuity as well as to provide additional real growth through new gifts and investment appreciation.

Return Objectives and Risk Parameters

The investment policy includes a target allocation table that allows for diversity and performance measurement against the appropriate index. The long-term objective of the Fund is to provide income and achieve a target rate of return of CPI + 4% annualized over a full market cycle, defined as 5 to 7 years, with diversification employed to reduce risk.

The relative objectives of the policy are to generate a return in excess of the passive portfolio benchmark for each asset class, exceed the rate of inflation, assumed to be approximately 3% annually over a five- to 10-year period, and exceed the 50th percentile return of a universe comprised of funds or managers with similar objectives and/or styles.

Change in endowment funds for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Donor-restricted endowment, beginning of year	\$ 679,225	\$ 636,174
Investment returns, net	80,104	51,383
Appropriated for expenditure	<u>(10,062)</u>	<u>(8,332)</u>
Donor-restricted endowment, end of year	<u>\$ 749,267</u>	<u>\$ 679,225</u>

NOTE I - MAJOR CONTRIBUTOR

Contributions from Children's and Western Washington McDonald's Owner Operators Association accounted for 13% and 5%, respectively, of total operating revenue during the year ended December 31, 2021. Promises to give from Western Washington McDonald's Owner Operators Association accounted for 9% of total promises to give at December 31, 2021.

Contributions from Children's and Western Washington McDonald's Owner Operators Association accounted for 24% and 19%, respectively, of total operating revenue during the year ended December 31, 2020. Promises to give from Western Washington McDonald's Owner Operators Association accounted for 62% of total promises to give at December 31, 2020.

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NOTE J - PAYCHECK PROTECTION PROGRAM LOAN

RMHC applied for and received a Paycheck Protection Program loan through Bank of America in the amount of \$390,150. The loan was funded on May 4, 2020 and had a maturity date of May 4, 2022. Paycheck Protection Program loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, and office lease payments. RMHC entered into the program with the intention of complying with the terms for forgiveness and recognized the loan as a conditional grant. In December 2020, RMHC received confirmation of forgiveness.

NOTE K - RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to RMHC, COVID-19 may impact various parts of its 2022 operations and financial results. In addition, investment markets may continue to experience significant fluctuations. Management believes RMHC is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2021 through October 5, 2022 which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2021, including the estimates inherent in the processing of financial statements.