

FINANCIAL STATEMENTS

**RONALD McDONALD HOUSE CHARITIES OF
NORTHWEST FLORIDA, INC.**

DECEMBER 31, 2021 AND 2020

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**BROWN
THORNTON ♦ PACENTA
& Company, P.A.**

Certified Public Accountants

Business & Financial Consultants

Michael D. Thornton, Shareholder
Jan M. Pacenta, Shareholder
Catherine T. Bond, Officer
John R. Dunaway, Of Counsel
Russell F. Lentz, Officer
Sean K. Quigley, Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities
of Northwest Florida, Inc.
Pensacola, Florida

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northwest Florida, Inc. (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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Northwest Florida, 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 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 Northwest Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Northwest Florida, Inc.'s ability to continue as a going

concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material 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 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 Northwest Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Northwest Florida, 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.

Brown Thornton Peck
& Company PA

Pensacola, Florida
June 20, 2022

STATEMENTS OF FINANCIAL POSITION

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 761,729	\$ 741,295
Prepaid expenses	38,890	24,368
Unconditional promises to give, net	91,876	172,131
Cash surrender value of life insurance	14,626	14,835
Investments	3,126,100	2,623,552
Property and equipment, net	3,269,518	3,400,171
Construction in progress	57,760	2,603
Deposits	<u>2,000</u>	<u>2,000</u>
Total assets	<u>\$ 7,362,499</u>	<u>\$ 6,980,955</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 54,259	\$ 14,713
Accrued payroll	30,840	-
Accrued compensated absences	<u>38,071</u>	<u>45,427</u>
Total liabilities	<u>123,170</u>	<u>60,140</u>
NET ASSETS		
Without donor restriction	6,044,990	5,697,434
With donor restriction	<u>1,194,339</u>	<u>1,223,381</u>
Total net assets	<u>7,239,329</u>	<u>6,920,815</u>
Total liabilities and net assets	<u>\$ 7,362,499</u>	<u>\$ 6,980,955</u>

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

STATEMENT OF ACTIVITIES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2021

	<u>Net Assets Without Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
Change in net assets			
Public support and revenue			
Contributions	\$ 894,180	\$ 50,000	\$ 944,180
Forgiveness of PPP loan	147,576	-	147,576
In-kind contributions	327,698	-	327,698
Special events revenue	133,586	-	133,586
Less direct benefits costs	<u>(25,330)</u>	<u>-</u>	<u>(25,330)</u>
Net revenue from special events	108,256	-	108,256
Gain on sale of land	-	-	-
Net assets released from restriction	<u>79,042</u>	<u>(79,042)</u>	<u>-</u>
Total revenues and other support	1,556,752	(29,042)	1,527,710
Expenses			
Program services	1,327,518	-	1,327,518
Supporting services:			
General and administrative	77,675	-	77,675
Fundraising	<u>154,548</u>	<u>-</u>	<u>154,548</u>
Total expenses	<u>1,559,741</u>	<u>-</u>	<u>1,559,741</u>
Change in net assets from operations	(2,989)	(29,042)	(32,031)
Investment income, net	<u>350,545</u>	<u>-</u>	<u>350,545</u>
Change in net assets	347,556	(29,042)	318,514
Net assets, beginning of year	<u>5,697,434</u>	<u>1,223,381</u>	<u>6,920,815</u>
Net assets, end of year	<u>\$ 6,044,990</u>	<u>\$ 1,194,339</u>	<u>\$ 7,239,329</u>

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

STATEMENT OF ACTIVITIES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2020

	<u>Net Assets Without Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
Change in net assets			
Public support and revenue			
Contributions	\$ 716,377	\$ -	\$ 716,377
Forgiveness of PPP loan	150,829	-	150,829
In-kind contributions	346,681	-	346,681
Special events revenue	53,622	-	53,622
Less direct benefits costs	<u>(22,788)</u>	<u>-</u>	<u>(22,788)</u>
Net revenue from special events	30,834	-	30,834
Gain on sale of land	39,343	-	39,343
Net assets released from restriction	<u>201,730</u>	<u>(201,730)</u>	<u>-</u>
Total revenues and other support	1,485,794	(201,730)	1,284,064
Expenses			
Program services	1,300,253	-	1,300,253
Supporting services:			
General and administrative	62,160	-	62,160
Fundraising	<u>215,790</u>	<u>-</u>	<u>215,790</u>
Total expenses	<u>1,578,203</u>	<u>-</u>	<u>1,578,203</u>
Change in net assets from operations	<u>(92,409)</u>	<u>(201,730)</u>	<u>(294,139)</u>
Investment income, net	<u>243,904</u>	<u>-</u>	<u>243,904</u>
Change in net assets	151,495	(201,730)	(50,235)
Net assets, beginning of year	<u>5,545,939</u>	<u>1,425,111</u>	<u>6,971,050</u>
Net assets, end of year	<u>\$ 5,697,434</u>	<u>\$ 1,223,381</u>	<u>\$ 6,920,815</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2021

	Program Services			Supporting Services			Total Expenses
	Ronald McDonald House	Ronald McDonald Family Room	Total Program Expenses	General and Administrative	Fund-Raising	Total Supporting Services	
Personnel costs:							
Salaries	\$ 285,675	\$ 154,265	\$ 439,940	\$ 34,281	\$ 97,130	\$ 131,411	\$ 571,351
Fringe benefits and taxes	74,773	40,377	115,150	8,973	25,423	34,396	149,546
Total personnel costs	360,448	194,642	555,090	43,254	122,553	165,807	720,897
Non-personnel costs:							
Audit and professional services	28,730	4,701	33,431	1,045	17,760	18,805	52,236
Bank charges	5,895	-	5,895	-	-	-	5,895
Depreciation	96,586	49,756	146,342	-	-	-	146,342
Direct mail	-	-	-	31,392	-	31,392	31,392
Equipment leasing	7,622	-	7,622	-	-	-	7,622
Family services	8,771	4,519	13,290	-	-	-	13,290
Grant writing	-	-	-	-	13,440	13,440	13,440
House maintenance	86,809	-	86,809	-	-	-	86,809
House supplies	4,728	-	4,728	-	-	-	4,728
In-kind supplies	327,698	-	327,698	-	-	-	327,698
Insurance	34,494	742	35,236	1,855	-	1,855	37,091
Interest	774	398	1,172	-	-	-	1,172
Marketing and promotions	2,523	1,300	3,823	-	-	-	3,823
Office	8,369	-	8,369	-	-	-	8,369
Office supplies	2,750	-	2,749	-	-	-	2,749
Postage	1,072	579	1,651	129	364	493	2,144
Printing	3,279	1,689	4,968	-	-	-	4,968
Provision for uncollectible accounts	-	-	-	-	-	-	-
Technology	28,518	-	28,518	-	-	-	28,518
Training	86	45	131	-	-	-	131
Travel - conference	28	14	42	-	431	431	473
Travel	84	-	84	-	-	-	84
Utilities	59,870	-	59,870	-	-	-	59,870
Total non-personnel costs	708,686	63,743	772,428	34,421	31,995	66,416	838,844
Total expenses	<u>\$ 1,069,134</u>	<u>\$ 258,385</u>	<u>\$ 1,327,518</u>	<u>\$ 77,675</u>	<u>\$ 154,548</u>	<u>\$ 232,223</u>	<u>\$ 1,559,741</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Year Ended December 31, 2020

	Program Services			Supporting Services			Total Expenses
	Ronald McDonald House	Ronald McDonald Family Room	Total Program Expenses	General and Administrative	Fund-Raising	Total Supporting Services	
Personnel costs:							
Salaries	\$ 278,472	\$ 157,168	\$ 435,640	\$ 47,261	\$ 124,637	\$ 171,898	\$ 607,538
Fringe benefits and taxes	<u>62,606</u>	<u>35,335</u>	<u>97,941</u>	<u>10,624</u>	<u>28,021</u>	<u>38,645</u>	<u>136,586</u>
Total personnel costs	341,078	192,503	533,581	57,885	152,658	210,543	744,124
Non-personnel costs:							
Audit and professional services	13,111	5,290	18,401	1,591	18,948	20,539	38,940
Bank charges	4,624	-	4,624	-	-	-	4,624
Depreciation	96,517	54,290	150,807	-	-	-	150,807
Direct mail	6,007	3,378	9,385	-	28,157	28,157	37,542
Equipment leasing	7,343	-	7,343	-	-	-	7,343
Family services	52,236	2,110	54,346	-	-	-	54,346
Grant writing	-	-	-	-	13,440	13,440	13,440
House maintenance	21,081	11,859	32,940	-	-	-	32,940
House supplies	4,494	-	4,494	-	-	-	4,494
In-kind supplies	335,356	-	335,356	-	-	-	335,356
Insurance	31,790	2,978	34,768	752	-	752	35,520
Interest	692	390	1,082	-	-	-	1,082
Marketing and promotions	3,750	2,110	5,860	-	-	-	5,860
Office	2,674	1,502	4,176	-	-	-	4,176
Office supplies	2,419	10	2,429	-	-	-	2,429
Postage	-	-	-	1,932	2,587	4,519	4,519
Printing	3,579	2,014	5,593	-	-	-	5,593
Provision for uncollectible accounts	3,270	-	3,270	-	-	-	3,270
Technology	27,571	-	27,571	-	-	-	27,571
Training	737	414	1,151	-	-	-	1,151
Travel - conference	-	-	-	-	-	-	-
Travel	704	396	1,100	-	-	-	1,100
Utilities	<u>61,976</u>	<u>-</u>	<u>61,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,976</u>
Total non-personnel costs	<u>679,931</u>	<u>86,741</u>	<u>766,672</u>	<u>4,275</u>	<u>63,132</u>	<u>67,407</u>	<u>834,079</u>
Total expenses	<u>\$ 1,021,009</u>	<u>\$ 279,244</u>	<u>\$ 1,300,253</u>	<u>\$ 62,160</u>	<u>\$ 215,790</u>	<u>\$ 277,950</u>	<u>\$ 1,578,203</u>

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

STATEMENTS OF CASH FLOWS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 318,514	\$ (50,235)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	146,342	150,807
Gain on sale of land	-	(39,343)
Net realized and unrealized gains on investments	(365,916)	(206,377)
In-kind contributions of property and equipment	-	(12,497)
Provision for uncollectible pledge	-	3,270
Cash surrender value of life insurance	209	213
(Increase) decrease in operating assets:		
Prepaid expenses	(14,522)	10,197
Unconditional promises to give	80,255	198,460
Increase (decrease) in operating liabilities:		
Accounts payable	39,546	8,059
Accrued payroll	30,840	(39,655)
Accrued compensated absences	(7,356)	533
Net cash provided by operating activities	227,912	23,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(597,223)	(168,816)
Proceeds from sale of investments	460,591	363,794
Acquisition of property and equipment and projects in progress	(70,846)	(31,898)
Proceeds from sale of land	-	132,343
Net cash provided by (used by) investing activities	(207,478)	295,423
NET INCREASE IN CASH	20,434	318,855
Cash, beginning of year	741,295	422,440
Cash, end of year	\$ 761,729	\$ 741,295

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

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE A - ORGANIZATION

Ronald McDonald House Charities of Northwest Florida, Inc. (the Organization) is a Florida nonprofit charitable corporation formed in 1981 under the name Gulf Coast Children's Medical Foundation, Inc. The mission of Ronald McDonald House Charities (RMHC) is to create, find, and support programs that directly improve the health and well-being of children. 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.

The Organization fulfills its 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 Organization, represent the core functions of Ronald McDonald House Charities of Northwest Florida, 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 Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Pensacola, Florida, which provides 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.

Family Room

During 2019, the Organization opened a new facility located inside a children's hospital in Pensacola, Florida to allow families to stay in the hospital, right near their ill or injured child. The occupancy is donated from the hospital, while the facility and operations are supported by donations. The location has three bedrooms, a family room, a full kitchen, and a playroom.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting. Thus, revenues are recognized when services have been performed, and expenses are recognized when a liability has been incurred.
2. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
3. Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets.

Net Assets Without Donor Restrictions - not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations.

4. Cash and Cash Equivalents - For the purposes of the statements of cash flows, management considers all highly liquid investment instruments with an original maturity when purchased of three months or less to be cash equivalents.
5. Contributions Receivable - Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

6. Program Revenue - Revenue related to exchange transactions is recognized as goods and/or services are provided and is based on the amount expected to be received in exchange for those goods and/or services. The Organization recognizes client service revenue in the period in which performance obligations under its contracts are satisfied by transferring services to clients. There were no contract receivables and liabilities at December 31, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Investments - The Organization 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.

The Organization 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.

8. Fair Value of Financial Investments - Investments are measured at fair value by the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and has the highest priority; Level 2 consists of observable inputs other than quoted prices for identical assets; and Level 3 consists of significant unobservable inputs and has the lowest priority. The Organization measures fair value using Level 1 and Level 2 inputs.

Changes in the value of remeasurement are recorded in the period remeasured.

9. Property and Equipment - Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$1,000 or more are capitalized, 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 estimated useful lives of the assets as follows:

Buildings and improvements	7 - 40 years
Furniture and fixtures	3 - 10 years
Equipment	3 - 7 years

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Contributions - Contributions are recorded depending on the existence and/or nature of any donor-imposed stipulations and/or restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. When restrictions are met in the same period as the contribution is received, the Organization records the contribution revenue as increase in net assets without donor restrictions.
11. In-Kind Contributions - 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 unrestricted net assets 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 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 restrictions to net assets without donor restrictions at that time.

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 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.

In-kind contributions received for the years ended December 31, 2021 and 2020 were \$327,698 and \$346,681, respectively. This includes donated services totaling \$89,308 and \$97,638 for the years ended December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Allocation of Functional Expenses - Costs are charged to program services and management and generally based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on management estimates.
13. Income Taxes - Ronald McDonald House Charities of Northwest Florida, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Therefore, no provision for income taxes is recorded.

The Organization believes that any tax positions it has taken or expects to take that are more-likely-than-not sustainable, as described in the Codification, would not be material to the financial statements taken as a whole. Accordingly, no liability has been provided for unrecognized tax benefits, nor has any interest or penalty been accrued.

The Organization's information and tax returns for the years ended December 31, 2018 through 2021 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

14. Recent Financial Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. This standard is effective for fiscal periods beginning after December 15, 2021. The Organization plans to adopt this ASU for its year ending December 31, 2022.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Comparative Financial Information - Certain accounts and activities in the prior year information have been reclassified to conform to the presentation in the current year financial statements.
16. Events Occurring After the Reporting Date - The Organization has evaluated events and transactions that occurred between December 31, 2021 and June 20, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Certain accounts and activities in the prior year information have been reclassified to conform to the presentation in the current year financial statements.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 56,515	\$ 96,351
One to five years	48,874	90,543
More than five years	<u>-</u>	<u>-</u>
 Total	 105,389	 186,894
 Unamortized discount	 (5,613)	 (6,863)
Allowance for uncollectibles	<u>(7,900)</u>	<u>(7,900)</u>
 Net contributions receivable	 <u>\$ 91,876</u>	 <u>\$ 172,131</u>

Long-term promises to give are recognized at fair value, using present value techniques and discount rates ranging from 1.5% to 2.0% for the years ended December 31, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE D - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB Standards Codification 820, *Fair Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. There were no Level 3 inputs during the years ended December 31, 2021 and 2020.

Investments in debt securities and certain equity securities are measured at fair value based on the quoted market price using Level 1 inputs. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by the donor, and dividends, interest, and other investment income is reported in the period earned as increases in unrestricted net assets, unless donor-imposed restrictions apply.

The fair value of the cash surrender value of life insurance is the amount that may be realized upon the discontinuance and surrender of the contract before maturity and are classified as Level 2.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2021 and 2020, are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Fair Value Measurement Using Significant Other Observable Inputs (Level 2)</u>
December 31, 2021:			
Investments:			
Bond funds	\$ 1,195,672	\$ 1,195,672	\$ -
Equity funds	754,795	754,795	-
Exchange Traded funds	1,172,838	1,172,838	-
Equities	2,795	2,795	-
Cash surrender value of life insurance	<u>14,626</u>	<u>-</u>	<u>14,626</u>
	<u>\$ 3,140,726</u>	<u>\$ 3,126,100</u>	<u>\$ 14,626</u>
December 31, 2020:			
Investments:			
Bond funds	\$ 843,878	\$ 843,878	\$ -
Equity funds	787,926	787,926	-
Exchange Traded funds	991,748	991,748	-
Cash surrender value of life insurance	<u>14,835</u>	<u>-</u>	<u>14,835</u>
	<u>\$ 2,638,387</u>	<u>\$ 2,623,552</u>	<u>\$ 14,835</u>

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Cost, fair value, and unrealized gains (losses) from acquisition until December 31, 2021 and 2020 for assets held as investments are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
December 31, 2021:			
Investments:			
Bond funds	\$ 1,215,206	\$ 1,195,672	\$ (19,534)
Equity funds	529,818	754,795	224,977
Exchange Traded funds	670,703	1,172,838	502,135
Equities	282	2,795	2,513
Cash surrender value of life insurance	<u>14,626</u>	<u>14,626</u>	<u>-</u>
	<u>\$ 2,430,635</u>	<u>\$ 3,140,726</u>	<u>\$ 710,091</u>
December 31, 2020:			
Investments:			
Bond funds	\$ 836,269	\$ 843,878	\$ 7,609
Equity funds	587,026	787,926	200,900
Exchange Traded funds	676,061	991,748	315,687
Cash surrender value of life insurance	<u>14,835</u>	<u>14,835</u>	<u>-</u>
	<u>\$ 2,114,191</u>	<u>\$ 2,638,387</u>	<u>\$ 524,196</u>

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2021 and 2020.

Subsequent to year end, market conditions deteriorated. The fair market value of investments has declined and is considered to be recoverable.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 767,725	\$ 767,725
Buildings and improvements	3,378,128	3,370,607
Furniture and fixtures	303,635	301,643
Equipment	<u>226,266</u>	<u>220,090</u>
	4,675,754	4,660,065
Less accumulated depreciation	<u>(1,406,236)</u>	<u>(1,259,894)</u>
	<u>\$ 3,269,518</u>	<u>\$ 3,400,171</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$146,342 and \$150,807, respectively.

The Organization 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 Organization 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. As of December 31, 2021, none of the Organization's long-lived assets were considered to be materially impaired.

During the year ended December 31, 2017, the Organization received donated land with a value of \$93,000. During 2018, the Organization placed the land for sale. The property was sold in 2020 for \$132,343 resulting in a gain on the sale of \$39,343.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the Endowment and H2H Campaign for the years ended December 31, 2021 and 2020 totaled \$1,194,339 and \$1,223,381, respectively.

NOTE G - ENDOWMENTS

The Organization received a gift in 1993 to create an endowment to be held in perpetuity for the benefit of Ronald McDonald House Charities of Northwest Florida, Inc. The gift instrument restricts the income to be used for operating expenses of the Organization.

The Organization received a \$25,000 gift in 2007 to create an endowment to be held in perpetuity and the income therefrom to fund interns and volunteer training through the Lisa Sawyer Memorial Internship and Volunteer Program.

During 2014, the Organization received a pledge in the amount of \$500,000 to create a permanent endowment fund. The pledge was paid over a five-year period and ended in January 2020. The pledge was originally recorded at the fair value of \$301,189 using the present value technique (see Note C). The Organization received \$93,000 during the year ended December 31, 2019, which is held in a separate investment account. Endowment contributions were \$50,000 and \$0 for the years ended December 31, 2021 and 2020. The income therefrom is to be used for the Organization's charitable purposes.

The Organization has adopted investment policies for endowment assets. Under these policies, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization has adopted spending policies that include appropriating investment income earned on endowment assets, excluding unrealized gains and losses, for expenditure.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE G - ENDOWMENTS (Continued)

The composition and changes in endowment net assets for the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Endowments:		
Endowment net assets, beginning of year	\$ 1,051,250	\$ 1,051,250
Contributions	50,000	-
Investment income, net	79,042	201,730
Amounts appropriated	<u>(79,042)</u>	<u>(201,730)</u>
Endowment net assets, end of year	<u>\$ 1,101,250</u>	<u>\$ 1,051,250</u>

NOTE H - PAYCHECK PROTECTION PROGRAM CONTRIBUTION

The Organization received an SBA loan for \$149,757 from CenterState Bank in April 2020. The interest rate was 1%. The term of the loan was 24 months with the first six months of principal and interest payments deferred with interest accruing. The loan was made pursuant to the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act. The balance was forgiven in full in 2021.

The Organization received an SBA loan for \$145,468 from SouthState Bank in February 2021. The interest rate is 1%. The term of the loan is 60 months with the first ten months of principal and interest payments deferred with interest accruing. The loan was made pursuant to the Paycheck Protection Program as part of the Consolidated Appropriations Act. The loan was forgiven, in full, in September 2021 and is included on the Statement of Activities.

The Organization followed *FASB ASC 958-605* to account for the PPP funds as a conditional contribution. During the years ended December 31, 2021 and 2020, the Organization recognized contribution revenue as it incurred qualifying PPP expenses; the Organization reported \$147,576 and \$150,829 of revenues on the Statement of Activities for the years ended December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE I - OPERATING LEASES

In 2019, the Organization entered into an equipment lease under a thirty-six-month operating lease requiring annual rental payments of \$7,416, expiring September 2022.

<u>Year Ending December 31,</u>	<u>Amounts</u>
2022	\$ 5,562
2023	-
2022	-
2023	-
2024	-
Thereafter	<u>-</u>
	<u>\$ 5,562</u>

Rent expense for the years ended December 31, 2021 and 2020 for the equipment was \$7,622 and \$7,343, respectively.

NOTE J - SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES

In 2017, the Organization established a 401(k) plan that covers all employees of the Organization who are at least age 21 and have worked at least 1,000 hours of service from the 12-month period from July 15 through the next following July 14. Employees may elect to make voluntary contributions to the Plan. The Organization made a 3% matching contribution to each eligible participants' 401(k) account. For the years ended December 31, 2021 and 2020, the Organization contributed \$14,350 and \$15,276 to the Plan.

NOTE K - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and trade accounts receivable. The Organization maintains its cash at several local financial institutions. Deposits are insured up to \$250,000 per depositor, by the Federal Deposit Insurance Corporation (FDIC). The Organization had an uninsured cash balance totaling \$230,302 at December 31, 2021.

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE L - RELATED PARTY

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding, and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing, and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2021 and 2020, the Organization received \$122,319 and \$113,335, respectively, from these revenue streams.

NOTE M - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization’s financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2021. However, amounts already appropriated from the donor-restricted contributions for general expenditures within one year of December 31, 2021, have not been subtracted as unavailable.

Financial assets, at year-end	\$ 3,982,291
Less those unavailable for general expenditures within one year, due to:	
Subject to satisfaction of donor restrictions	<u>(1,194,339)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,787,952</u>

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

NOTE M - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES (Continued)

The Organization at times receives restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE N - COVID-19

The COVID-19 outbreak in the United States caused disruption of operations through mandated and voluntary closings of businesses and issued stay at home order for individuals during the year. While the disruption was temporary, there is considerable uncertainty surrounding the long-term operating effects on the Organization. The House remained closed for several months during 2020. During this time, the Organization covered hotel accommodations for families to stay close to their children receiving care nearby. The Organization continued to cover hotel accommodations for families as operations return to normal in phases in 2021. The House reopened with limited capacity during 2020 and there has been a gradual rise in the reinstatement of families in the House. The Organization continues to monitor the COVID-19 cases in the area to determine overnight accommodations and room availability.