

Ronald McDonald House Charities of the Carolinas, Inc.



Financial Statements

Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

The Board of Directors
Ronald McDonald House Charities of the Carolinas, Inc.
Greenville, South Carolina

Opinion

We have audited the financial statements of Ronald McDonald House Charities of the Carolinas, Inc. (the "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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Organization 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

FORVIS

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

FORVIS, LLP

**Greenville, SC
September 7, 2022**

Ronald McDonald House Charities of the Carolinas, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 753,933	\$ 805,394
Other receivables	23,985	12,297
Employee Retention Credit receivable	51,385	-
Unconditional promises to give, net	10,000	12,870
Prepaid expenses	18,910	25,949
Total current assets	<u>858,213</u>	<u>856,510</u>
Noncurrent assets:		
Investments	2,680,347	2,090,298
Property and equipment, less accumulated depreciation	<u>4,792,389</u>	<u>4,889,078</u>
Total noncurrent assets	<u>7,472,736</u>	<u>6,979,376</u>
Total assets	<u>\$ 8,330,949</u>	<u>\$ 7,835,886</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$ 38,740	\$ 68,612
Accrued expenses	<u>1,847</u>	<u>28,396</u>
Total current liabilities	<u>40,587</u>	<u>97,008</u>
Net assets:		
Without donor restrictions	7,790,362	7,238,878
With donor restrictions	<u>500,000</u>	<u>500,000</u>
Total net assets	<u>8,290,362</u>	<u>7,738,878</u>
Total liabilities and net assets	<u>\$ 8,330,949</u>	<u>\$ 7,835,886</u>

Ronald McDonald House Charities of the Carolinas, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Public support and other revenue			
Public support:			
Contributions	\$ 961,395	\$ -	\$ 961,395
Special events	347,902	-	347,902
Other revenue:			
Paycheck Protection Program income	78,700	-	78,700
Room rental	19,803	-	19,803
Employee Retention Credit	51,385	-	51,385
Interest and dividends, net of investment fees	51,380	-	51,380
Net realized and unrealized gains on investments	205,336	-	205,336
Pledge discount	22,130	-	22,130
Total public support and other revenue	<u>1,738,031</u>	<u>-</u>	<u>1,738,031</u>
Expenses			
Program services expense	935,587	-	935,587
General and administrative expenses	92,627	-	92,627
Fundraising expense	158,333	-	158,333
Total expenses	<u>1,186,547</u>	<u>-</u>	<u>1,186,547</u>
Increase in net assets	551,484	-	551,484
Net assets, beginning of year	<u>7,238,878</u>	<u>500,000</u>	<u>7,738,878</u>
Net assets, end of year	<u>\$ 7,790,362</u>	<u>\$ 500,000</u>	<u>\$ 8,290,362</u>

See accompanying notes.

Ronald McDonald House Charities of the Carolinas, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Public support and other revenue			
Public support:			
Contributions	\$ 653,614	\$ -	\$ 653,614
Special events	195,267	-	195,267
Other revenue:			
Paycheck Protection Program income	78,700	-	78,700
Room rental	20,507	-	20,507
Interest and dividends, net of investment fees	31,631	-	31,631
Net realized and unrealized gains on investments	254,322	-	254,322
Net assets released from restriction	26,176	(26,176)	-
Total public support and other revenue	<u>1,260,217</u>	<u>(26,176)</u>	<u>1,234,041</u>
Expenses			
Program services expense	754,000	-	754,000
General and administrative expenses	88,649	-	88,649
Fundraising expense	100,303	-	100,303
Total expenses	<u>942,952</u>	<u>-</u>	<u>942,952</u>
Increase (decrease) in net assets	317,265	(26,176)	291,089
Net assets, beginning of year	<u>6,921,613</u>	<u>526,176</u>	<u>7,447,789</u>
Net assets, end of year	<u>\$ 7,238,878</u>	<u>\$ 500,000</u>	<u>\$ 7,738,878</u>

Ronald McDonald House Charities of the Carolinas, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services		Supporting Services		Total
	House Operations	General & Administrative	Fund-Raising		
Employee costs	\$ 213,766	\$ 42,753	\$ 28,502	\$ 285,021	
Employee benefits	43,398	8,680	5,786	57,864	
Payroll taxes	17,052	3,411	2,274	22,737	
Special events	-	-	71,992	71,992	
House maintenance	266,953	14,050	-	281,003	
Family room	22	-	-	22	
Insurance	26,770	2,974	-	29,744	
Utilities	30,506	1,606	-	32,112	
Printing	3,472	1,578	1,262	6,312	
Promotional	5,017	2,280	1,824	9,121	
Office supplies	8,592	3,906	3,125	15,623	
Professional fees	164,277	2,489	43,428	210,194	
Board planning	724	279	112	1,115	
Travel	183	70	28	281	
Depreciation	149,103	7,848	-	156,951	
Miscellaneous	5,752	639	-	6,391	
Volunteer recognition	-	64	-	64	
	<u>\$ 935,587</u>	<u>\$ 92,627</u>	<u>\$ 158,333</u>	<u>\$ 1,186,547</u>	

See accompanying notes.

Ronald McDonald House Charities of the Carolinas, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services		Supporting Services		Total
	House Operations	General & Administrative	Fund-Raising		
Employee costs	\$ 235,371	\$ 47,074	\$ 31,383	\$	313,828
Employee benefits	46,099	9,220	6,147	\$	61,466
Payroll taxes	17,939	3,588	2,392		23,919
Special events	-	-	12,026		12,026
House maintenance	148,065	7,793	-		155,858
Family room	624	-	-		624
Insurance	23,088	2,565	-		25,653
Utilities	30,603	1,611	-		32,214
Printing	2,522	1,146	917		4,585
Promotional	6,645	3,020	2,416		12,081
Office supplies	3,880	1,764	1,411		7,055
Professional fees	91,191	2,489	43,428		137,108
Board planning	1,069	411	164		1,644
Travel	125	48	19		192
Depreciation	143,451	7,550	-		151,001
Miscellaneous	3,328	370	-		3,698
	<u>\$ 754,000</u>	<u>\$ 88,649</u>	<u>\$ 100,303</u>	<u>\$</u>	<u>942,952</u>

Ronald McDonald House Charities of the Carolinas, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 551,484	\$ 291,089
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	156,951	151,001
Net realized and unrealized gains on investments	(205,336)	(254,322)
Net change in operating assets and liabilities:		
Prepaid expenses	7,039	(23,521)
Accounts receivable	(11,688)	73,973
Employee Retention Credit receivable	(51,385)	
Unconditional promises to give	2,870	11,374
Accounts payable	(29,872)	34,775
Accrued expenses	(26,549)	15,446
Net cash provided by operating activities	<u>393,514</u>	<u>299,815</u>
Cash flows from investing activities:		
Purchase of property and equipment	(60,262)	(98,239)
Purchases of investments	(618,095)	(49,669)
Sales of investments	233,382	119,958
Net cash used by investing activities	<u>(444,975)</u>	<u>(27,950)</u>
Net (decrease) increase in cash and cash equivalents	(51,461)	271,865
Cash and cash equivalents, beginning of year	<u>805,394</u>	<u>533,529</u>
Cash and cash equivalents, end of year	<u>\$ 753,933</u>	<u>\$ 805,394</u>

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Organization and Purpose

Ronald McDonald House Charities of the Carolinas, Inc. (the "Organization") is a South Carolina not-for-profit corporation. The purpose of the Organization is to establish, own and operate a facility or facilities to provide housing and other assistance for seriously ill children and their families. Additionally, the Organization grants funds to other area not-for-profit organizations which benefit children and their families.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consists of all highly liquid investments with an original maturity of three months or less when purchased.

Concentration of Credit Risk

The Organization maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. The Organization believes it is not exposed to any significant credit risk.

Other Receivables

Management considers all other receivables balances to be fully collectible; therefore, no allowance for uncollectible accounts is included on the statements of financial position.

Investments

The Organization carries investments in marketable equity securities, fixed income commodities, and mutual funds with readily determinable fair values at fair value. Unrealized and realized gains and losses are included in the increase in net assets without donor restrictions on the accompanying statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization also invests in alternative investments that are recorded at net asset value. Alternative investments comprise of a multi-strategy funds. These investments do not have a quoted market price. The fair value is determined by the fund manager based upon the estimated fair values of the underlying investments using quoted market prices where applicable or upon estimated fair values determined as by the fund manager.

Unconditional Promises to Give

The Organization measures contributions received and promises to give at their fair value and reports them as an increase within the appropriate net assets category. Unconditional promises to give are recorded at net realizable value, using discount rates applicable to the years in which the promises are to be received.

Ronald McDonald House Charities of the Carolinas, Inc.
Notes to Financial Statements

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Additions with a value of \$500 or greater are capitalized and expenditures for repairs and maintenance are expensed when incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the respective assets. The estimated useful lives are:

Buildings	40 years
Equipment	5-15 years
Furniture and fixtures	7 years

Net Assets

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

Net Assets without Donor Restrictions— Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the Organization or may otherwise be limited by contractual agreements with outside parties.

Net Assets with Donor Restrictions— Net assets whose use by the Organization is a) subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time or b) subject to donor-imposed stipulations that they be maintained by the Organization.

Net assets with donor restrictions, held in perpetuity totaling \$500,000, consist of an endowment fund established to generate earnings to support house operating expenses.

Revenue and Support

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 on the statements of activities as net assets released from restrictions.

Non-Cash Contributions

Donated marketable securities, professional services, supplies and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as net assets without restrictions unless the donor has restricted the donated asset to a specific purpose. A substantial number of volunteers have made significant contributions of their time to the Organization principally in the areas of meal preparation, house assistance and office assistance. The value of non-professional contributed time has not been reflected in the accompanying financial statements since the recognition criteria under accounting standards were not met.

Functional Expenses

The cost of providing various programs and supporting services has been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management. Such allocations are determined by management on an equitable basis and consistent with program and supporting revenues.

Ronald McDonald House Charities of the Carolinas, Inc.
Notes to Financial Statements

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that there are no material unrecognized tax benefits or obligations as of December 31, 2021.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates could also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Investments

Investments are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Patient accounts receivable due from:		
Equity securities	\$ 1,800,964	\$ 1,361,958
Mutual funds	346,309	408,562
Fixed income	286,059	254,979
Commodities	7,673	-
Alternative investments	<u>239,342</u>	<u>64,799</u>
Total	<u>\$ 2,680,347</u>	<u>\$ 2,090,298</u>

Interest and dividend income is reported net of custodial and investment management fees approximating \$27,000 and \$22,000 for the years ended December 31, 2021 and 2020, respectively.

3. Fair Value Disclosures

The Financial Accounting Standards Board (“FASB”) issued a statement that defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Ronald McDonald House Charities of the Carolinas, Inc.
Notes to Financial Statements

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following are descriptions of the valuation methodologies used for assets measured at fair value:

Equity securities

These investments are valued at the closing price reported on the active market on which the individual securities are traded. These are classified within Level 1 of the valuation hierarchy.

Mutual funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlining assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Fixed Income

These investments are valued at the closing price reported on the active market in which the individual bonds are traded. These are classified within Level 1 of the valuation hierarchy.

Commodities

These investments are valued at the closing price reported on the active market in which the individual commodities are traded. These are classified within Level 1 of the valuation hierarchy.

Alternative investments

The Organization invests in certain investments for which quoted prices are not available in active markets for identical instruments. The Organization utilizes the NAV provided by the administrator of the fund as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV. These investments are not required to be classified within a level on the fair value hierarchy.

Ronald McDonald House Charities of the Carolinas, Inc.
Notes to Financial Statements

The following table sets forth by level the fair value hierarchy of the Organization's assets accounted for at fair value on a recurring basis as of December 31, 2021:

	Fair value at December 31, 2021	Fair value measurements at December 31, 2021 using:		
		Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Equity securities:				
Communication services	\$ 172,355	\$ 172,355	\$ -	\$ -
Consumer discretionary	183,982	183,982	-	-
Consumer staples	127,976	127,976	-	-
Energy	89,875	89,875	-	-
Finance	220,974	220,974	-	-
Health Care	169,929	169,929	-	-
Industrials	186,222	186,222	-	-
Information technology	440,754	440,754	-	-
Materials	78,241	78,241	-	-
Real estate	99,150	99,150	-	-
Utilities	31,506	31,506	-	-
Total equity securities	<u>1,800,964</u>	<u>1,800,964</u>	-	-
Mutual funds:				
Equity mutual funds:				
US asset backed securities	70,477	70,477	-	-
High income securities	30,353	30,353	-	-
World bond	43,138	43,138	-	-
Multi-alternative	76,952	76,952	-	-
Market neutral	33,186	33,186	-	-
Nontraditional bond	92,203	92,203	-	-
Total mutual funds	<u>346,309</u>	<u>346,309</u>	-	-
Fixed income:				
Corporate bonds	135,984	135,984	-	-
Government bonds	30,260	30,260	-	-
Asset/Mortgage	7,614	7,614	-	-
Exchanged traded funds	112,201	112,201	-	-
Total fixed income	<u>286,059</u>	<u>286,059</u>	-	-
Commodities:				
Exchanged traded funds	<u>7,673</u>	<u>7,673</u>	-	-
Total assets in the fair value hierarchy	2,441,005			
Investments at NAV (a)	239,342			
Total investments at fair value	<u>\$ 2,680,347</u>			

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2021:

	Fair Value at December 31, 2021	Unfunded Commitments	Other Redemption Restrictions	Redemption Notice Period
Multi-strategy	\$ 239,342	None	Quarterly, Daily	None

Ronald McDonald House Charities of the Carolinas, Inc.
Notes to Financial Statements

The following table sets forth by level the fair value hierarchy of the Organization's assets accounted for at fair value on a recurring basis as of December 31, 2020:

	Fair value at December 31, 2020	Fair value measurements at December 31, 2020 using:		
		Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Equity securities:				
Consumer discretionary	\$ 157,630	\$ 157,630	\$ -	\$ -
Consumer staples	105,220	105,220	-	-
Energy	54,069	54,069	-	-
Finance	129,463	129,463	-	-
Health Care	143,247	143,247	-	-
Industrials	116,329	116,329	-	-
Information technology	368,298	368,298	-	-
Materials	55,268	55,268	-	-
Real estate	60,901	60,901	-	-
Telecommunication services	150,270	150,270	-	-
Utilities	21,263	21,263	-	-
Total equity securities	<u>1,361,958</u>	<u>1,361,958</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equity mutual funds:				
US asset backed securities	66,472	66,472	-	-
High income securities	29,262	29,262	-	-
Multi-strategy fund	143,661	143,661	-	-
Multi-alternative fund	40,832	40,832	-	-
Market neutral fund	12,835	12,835	-	-
Nontraditional securities	71,332	71,332	-	-
World bond	44,168	44,168	-	-
Total mutual funds	<u>408,562</u>	<u>408,562</u>	<u>-</u>	<u>-</u>
Bonds:				
Corporate bonds	147,591	147,591	-	-
Government bonds	32,537	32,537	-	-
Exchange traded funds	71,269	71,269	-	-
Asset/mortgage backed	3,582	3,582	-	-
Total bonds	<u>\$ 254,979</u>	<u>\$ 254,979</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets in the fair value hierarchy	2,025,499			
Investments at NAV (a)	64,799			
Total investments at fair value	<u>\$ 2,090,298</u>			

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented on the statement of financial position.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2020:

	Fair Value at December 31, 2020	Unfunded Commitments	Other Redemption Restrictions	Redemption Notice Period
Multi-strategy	\$ 64,799	None	Quarterly	None

Ronald McDonald House Charities of the Carolinas, Inc.
Notes to Financial Statements

Unrealized gains are included in net assets without donor restrictions for the year and are reported in other revenue on the statements of activities.

4. Unconditional Promises to Give

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 10,000	\$ 25,000
Receivable in one to five years	<u>-</u>	<u>10,000</u>
	10,000	35,000
Less discounts to present value and allowances	<u>-</u>	<u>(22,130)</u>
Net unconditional promises to give	<u>\$ 10,000</u>	<u>\$ 12,870</u>

Unconditional promises to give are discounted at 2.2% for December 31, 2020.

5. Property and Equipment

Property and equipment at December 31 follows:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 4,854,997	\$ 4,719,497
Land and land improvements	924,732	924,732
Equipment and furnishings	<u>510,173</u>	<u>477,042</u>
	6,289,902	6,121,271
Less accumulated depreciation	<u>(1,497,513)</u>	<u>(1,340,562)</u>
	4,792,389	4,780,709
Construction in progress	<u>-</u>	<u>108,369</u>
	<u>\$ 4,792,389</u>	<u>\$ 4,889,078</u>

6. Endowment Funds

The endowment fund held in perpetuity included with net assets with donor restrictions was established to support the long-term financial stability of the Organization. The endowment funds consist of donor-restricted funds classified as net assets with donor restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act"), as enacted by the State of South Carolina as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization has classified as net assets with donor restrictions (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulated is added to the fund, if any. In accordance with accounting standards issued in the United States of America, the remaining portion of the donor-restricted endowment fund that is not classified to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, 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 purposes 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, and (6) the investment policies of the Organization.

The Organization's net asset composition by type of fund as of December 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

The Organization's net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Changes in endowment net asset for the year ended December 31 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ -	\$ 500,000	\$ 500,000
Investment return:			
Investment income, net	-	8,297	8,297
Net unrealized and realized investment gains	-	66,707	66,707
Total investment return	-	75,004	75,004
Appropriation of assets for expenditures	-	(75,004)	(75,004)
Endowment net assets, December 31, 2020	\$ -	\$ 500,000	\$ 500,000
Investment return:			
Investment income, net	-	12,290	12,290
Net unrealized and realized investment gains	-	49,116	49,116
Total investment return	-	61,406	61,406
Appropriation of assets for expenditures	-	(61,406)	(61,406)
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Endowment to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in net assets with donor restrictions as of December 31, 2021 and 2020.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding to Ronald McDonald House Charities of the Carolinas, Inc.'s programs supported by the endowment. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Organization expects its endowment funds to provide an average rate of return of approximately 7% percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and mutual fund investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's policy is to make available for distribution each year for use in house operations the computed earnings from the endowment held in perpetuity.

7. Retirement Plan

The Organization maintains a Savings Incentive Match Plan for Employees ("SIMPLE") to which eligible employees may elect to contribute a portion of their gross wages. The Organization will incur matching contributions based on certain guidelines. Matching contributions of approximately \$5,000 and \$5,300 were made for the years ended December 31, 2021 and 2020, respectively.

8. Liquidity and Availability

The Organization's liquidity management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following:

Financial assets as of:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 753,933	\$ 805,394
Investments	2,680,347	2,090,298
Accounts receivable	23,985	12,297
Employee Retention Credit receivable	51,385	-
Receivable in less than one year	10,000	12,870
Less: net assets with donor restrictions	<u>(500,000)</u>	<u>(500,000)</u>
	<u>\$ 3,019,650</u>	<u>\$ 2,420,859</u>

9. COVID-19 Pandemic

The outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization in March 2020. In response, the federal government and a large number of state governments, including South Carolina, have imposed strict measures to curtail aspects of public life in an effort to control further spreading of COVID-19, including limitations on public gatherings. At this time, it is not possible to accurately predict the significance of the duration of the COVID-19 pandemic, the impact on operations, the costs associated with responding to this pandemic, or what federal funds may continue to be made available to help recover from this crisis. The Organization has implemented various cost savings measures to help mitigate any financial impact. The full economic impact of this pandemic has not been determined; therefore, the financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security ("CARES") Act provides for the establishment of the Paycheck Protection Program ("PPP"), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

In April 2020, the Organization received a PPP loan totaling \$78,700 and has elected to account for the funds received as a government grant. During 2020, the Organization spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. The Organization received notification from the lender and Small Business Administration that the loan had been forgiven in January 2021.

In February 2021, the Organization received a second PPP loan totaling \$78,700 and has elected to account for the funds received as a government grant. During 2021, the Organization spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. In August 2021, the Organization received notification from the lender and Small Business Administration that the loan had been forgiven and the Organization had been relieved of its obligation for the liability.

10. Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (“ERC”). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. The credit is available for 70 percent of qualified wages for 2021 with a maximum potential credit per qualified employee of \$21,000.

The Organization qualifies for the ERC based on a reduction in gross receipts and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. During 2021, the Organization incurred qualifying wages and has recognized approximately \$51,000 associated with the ERC as Employee Retention Credit other revenue on the statement of activities.

11. Subsequent Events

The Organization has evaluated subsequent events through September 7, 2022, the date which the financial statements were available to be issued.