RONALD MCDONALD HOUSE CHARITIES
OF ANN ARBOR
ANN ARBOR, MICHIGAN

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of Ann Arbor

We have audited the accompanying financial statements of Ronald McDonald House Charities of Ann Arbor (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 Ann Arbor 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 Ann Arbor 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 Ann Arbor'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 Ann Arbor '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 Ann Arbor '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.

Respectfully,

WSR Certified Public Accountants, P.C.

WSR Certified Public Accountants, P.C.

Ann Arbor, Michigan
July 19, 2022

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENTS OF FINANCIAL POSITION
DECEMBER, 31 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,480,453	$ 1,054,892
Accounts Receivable, Net	118,455	83,484
Contributions Receivable (Note 3)	101,917	-
Donated Use of Facilities, Net (Note 6)	163,323	163,294
Prepaid Expenses	20,371	19,662
Total Current Assets	1,884,519	1,321,332
NONCURRENT ASSETS		
Contributions Receivable (Note 3)	38,750	-
Investments (Note 4)	2,385,996	2,244,423
Donated Use of Facilities, Net (Note 6)	1,098,177	1,255,134
Property and Equipment, Net (Note 5)	3,296,767	3,422,177
Restricted Cash and Investments (Note 4)	114,076	89,188
Total Noncurrent Assets	6,933,766	7,010,922
Total Assets	$ 8,818,285	$ 8,332,254
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 63,785	$ 39,266
Other Liabilities	14,018	3,945
Refundable Advances	803	2,500
Total Current Liabilities	78,606	45,711
NET ASSETS		
Without Donor Restrictions	6,694,039	6,249,478
With Donor Restrictions (Note 8)	2,045,640	2,037,065
Total Net Assets	8,739,679	8,286,543
Total Liabilities and Net Assets	$ 8,818,285	$ 8,332,254

See Independent Auditors' Report and accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	$ 1,065,019	$ 140,667	$ 1,205,686	$ 1,069,482	$ 89,602	$ 1,159,084
Grant Revenue - PPP Loan Proceeds (Note 14)	145,838	-	145,838	145,839	-	145,839
Special Events Revenue	433,998	-	433,998	287,777	-	287,777
Family Insurance Reimbursement (Note 15)	85,832	-	85,832	139,611	-	139,611
Loss on Disposal of Property and Equipment	1,794	-	1,794	-	-	-
Other (Loss) Income	6,360	-	6,360	5,660	-	5,660
Net Assets Released From Restrictions (Note 9)	156,980	(156,980)	-	310,785	(310,785)	-
Total Revenues and Other Support	1,895,821	(16,313)	1,879,508	1,959,154	(221,183)	1,737,971
EXPENSES						
Program Services	1,124,000	-	1,124,000	1,193,988	-	1,193,988
Management and General Administration	268,442	-	268,442	234,255	-	234,255
Fundraising	251,680	-	251,680	239,325	-	239,325
Cost of Direct Benefit to Donors	75,419	-	75,419	21,937	-	21,937
Total Expenses	1,719,541	-	1,719,541	1,689,505	-	1,689,505
CHANGE IN NET ASSETS FROM OPERATIONS	176,280	(16,313)	159,967	269,649	(221,183)	48,466
Investment Income, Net (Note 4)	268,281	24,888	293,169	305,223	-	305,223
CHANGE IN NET ASSETS	444,561	8,575	453,136	574,872	(221,183)	353,689
NET ASSETS AT BEGINNING OF YEAR	6,249,478	2,037,065	8,286,543	5,674,606	2,258,248	7,932,854
NET ASSETS AT END OF YEAR	$ 6,694,039	$ 2,045,640	$ 8,739,679	$ 6,249,478	$ 2,037,065	$ 8,286,543

See Independent Auditors' Report and accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services Ronald McDonald House	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	$ 389,383	$ 81,645	$ 157,010	$ -	$ 628,038
Employee Benefits	36,509	7,655	14,722	-	58,886
Payroll Taxes	29,436	6,172	11,870	-	47,478
Total Salaries and Related Expenses	455,328	95,472	183,602	-	734,402
Automobile	2,862	716	-	-	3,578
Depreciation	146,622	32,990	3,666	-	183,278
Direct Mail	-	-	11,398	-	11,398
Donor Development	5,559	-	29,183	-	34,742
Donor Recognition	-	-	74	-	74
Family Support Services and Supplies	73,751	-	-	-	73,751
Grants	5,052	-	-	-	5,052
Insurance	15,020	3,379	375	-	18,774
Maintenance and Repairs	67,255	5,062	-	-	72,317
Meetings, Education and Training	634	1,268	634	-	2,536
Office Supplies	1,149	1,116	1,116	-	3,381
Outside Services	97,734	-	-	16,904	114,638
Postage and Courier	589	589	1,179	-	2,357
Printing and Publishing	339	361	1,558	1,751	4,009
Professional Fees	4,704	47,567	-	-	52,271
Supplies and Decorations	8,145	-	-	10,098	18,243
Technology	9,910	9,618	9,618	-	29,146
Telephone	103	100	100	-	303
Travel, Meals, and Entertainment	1,044	1,075	1,044	46,007	49,170
Use of Donated Facilities	168,986	38,022	4,225	-	211,233
Utilities	42,487	9,560	1,062	-	53,109
Volunteer Resources and Recognition	465	-	-	-	465
Other	16,262	21,547	2,846	659	41,314
Total expenses	$ 1,124,000	$ 268,442	$ 251,680	$ 75,419	$ 1,719,541

See Independent Auditors' Report and accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services Ronald McDonald House	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	$ 384,312	$ 80,582	$ 154,965	$ -	$ 619,859
Employee Benefits	36,370	7,626	14,666	-	58,662
Payroll Taxes	29,803	6,249	12,018	-	48,070
Total Salaries and Related Expenses	450,485	94,457	181,649	-	726,591
Automobile	2,424	606	-	-	3,030
Depreciation	153,126	34,453	3,828	-	191,407
Direct Mail	-	-	15,598	-	15,598
Donor Development	3,753	-	19,702	-	23,455
Donor Recognition	-	-	1,762	-	1,762
Family Support Services and Supplies	209,146	-	-	-	209,146
Grants	6,586	-	-	-	6,586
Insurance	13,376	3,009	334	-	16,719
Maintenance and Repairs	64,299	4,840	-	-	69,139
Meetings, Education and Training	533	1,066	533	-	2,132
Office Supplies	349	340	340	-	1,029
Outside Services	59,677	-	-	941	60,618
Postage and Courier	305	305	611	440	1,661
Printing and Publishing	127	136	584	5,750	6,597
Professional Fees	2,724	27,538	-	-	30,262
Rent	-	-	-	10,196	10,196
Supplies and Decorations	3,417	-	-	646	4,063
Technology	5,492	5,331	5,331	-	16,154
Telephone	833	808	808	-	2,449
Travel, Meals, and Entertainment	1,285	1,324	1,285	407	4,301
Uses of Donated Facilities	168,986	38,022	4,225	-	211,233
Utilities	36,673	8,252	917	-	45,842
Other	10,392	13,768	1,818	3,557	29,535
Total expenses	$ 1,193,988	$ 234,255	$ 239,325	$ 21,937	$ 1,689,505

See Independent Auditors' Report and accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 453,136	$ 353,689
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	183,278	191,407
Amortization of Discount on Contributed Use of Facilities	156,928	150,785
Donated Property and Equipment	(25,649)	-
Donated Securities	(7,506)	(5,595)
Gain on Disposal of Property and Equipment	(1,794)	-
Net Realized and Unrealized Gains on Investments	(249,582)	(271,714)
(Increase) Decrease in Assets:		
Accounts Receivable	(34,971)	(74,499)
Contributions Receivable	(140,667)	171,896
Prepaid Expenses	(709)	3,586
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	24,519	4,904
Other Liabilities	10,073	1,946
Refundable Advances	(1,697)	(21,000)
Net Cash Provided by Operating Activities	365,359	505,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(394,000)	(110,181)
Purchase of Restricted Investments	-	(84,841)
Proceeds from Sale of Restricted Investments	15,000	-
Proceeds from Sale of Investments	485,975	111,528
Proceeds from Sale of Property and Equipment	25,000	-
Purchase of Property and Equipment	(55,424)	(65,275)
Net Cash Provided (Used) by Investing Activities	76,551	(148,769)
NET INCREASE IN CASH AND CASH EQUIVALENTS	441,910	356,636
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	1,055,408	698,772
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 1,497,318	$ 1,055,408
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Assets	$ 33,155	$ 5,595

See Independent Auditors' Report and accompanying notes to financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Ann Arbor (the Organization) is a Michigan nonprofit charitable corporation formed in 1983. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

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

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 Ann Arbor 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.

Basis of Presentation

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

Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization has not recorded an allowance for uncollectible receivables as of December 31, 2021 and 2020, respectively.

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.

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.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. All significant amounts 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	30 - 40 Years
Office Furniture and Equipment	5 - 7 Years
Vehicles	5 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

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.

Donated Assets, Property and Equipment, Facilities and Services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the 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 facilities are measured at fair value on the date of the contribution and then amortized to expense in the subsequent periods the assets are used. The fair value does not exceed the fair value of the long-lived asset at the time the unconditional promise is made. The contribution receivable is described in the financial statements as “Donated Use of Facilities.” For promises of donated facilities that are expected to be long term and used in future years, the Contributed Use of Facilities assets 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.

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.

Refundable Advances

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With Donor Restrictions

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

Revenue Recognition

Contributions and Grants

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

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Refundable Advances. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Sponsorship Revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Ticket Sales

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

Family Insurance Reimbursements

Family insurance reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, donor development, insurance, maintenance and repairs, utilities, meetings, education and training, office supplies, technology and telephone, which are allocated on the estimated basis of areas benefitted; and salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of management’s estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 2 LIQUIDITY

The Organization has $1,721,196 and $1,158,038 of financial assets, as of December 31, 2021 and 2020, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section, less the Donated Use of Facilities, of the statements. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $212,000 and $184,866 as of December 31, 2021 and 2020, respectively.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of pledges as of the years ended December 31:

	2021	2020
Amounts due in:		
Less than One Year	$ 101,917	$ -
One to Five Years	38,750	-
Total	$ 140,667	$ -

NOTE 4 FAIR VALUE MEASUREMENTS

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

Levels within the hierarchy are based on the reliability of inputs as follows:

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

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

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

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets measured on a recurring basis as of December 31, 2021 and 2020 are as follows:

	Fair Value Measurements Using Level 1 2021	2020
Assets:		
Investments, unrestricted:		
Mutual Funds		
Domestic Equity	$ 1,132,195	$ 839,434
Global	305,413	457,622
Asset Allocation	251,387	266,105
Bonds	697,001	681,262
Total Investments, Unrestricted	2,385,996	2,244,423
Investments, restricted:		
Domestic Equity	97,212	88,672
Total Investments, Restricted	97,212	88,672
Total Investments	$ 2,483,208	$ 2,333,095

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

Overall Investment Objective

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

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Interest and Dividend Income, Net	$ 43,587	$ 33,509
Realized and Unrealized Gains, Net	249,582	271,714
Investment Income, Net	$ 293,169	$ 305,223

Restricted cash and investments represent amounts held for required disbursement of the Boos Charitable Trust Grant. Restricted cash and investments for this purpose was the following as of December 31:

	2021	2020
Cash	$ 16,865	$ 516
Investments	97,211	88,672
Total Restricted Cash and Investments	$ 114,076	$ 89,188

NOTE 5 PROPERTY AND EQUIPMENT

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

	2021	2020
Building and Improvements	$ 5,572,702	$ 5,529,067
Furniture and Equipment	621,269	609,481
Total, at Cost	6,193,971	6,138,548
Accumulated Depreciation	(2,897,204)	(2,716,371)
Property and Equipment, net	$ 3,296,767	$ 3,422,177

NOTE 6 DONATED USE OF FACILITIES

The Organization entered into a lease agreement for land with the Regents of the University of Michigan (the "University") in June 1984, which was amended in February 1991. The major provisions of this lease included, but are not limited to, the following:

- The purpose of the lease is to permit the Organization to construct, expand, and operate a Ronald McDonald House (the "House") .
- The term of the lease is 45 years, with an option to renew for an additional 10 years.
- The cost of the lease is $1 per year.
- The University holds the legal title to the building and its fixtures .
- Upon expiration of the lease or termination due to a breach of the agreement, the Organization may be required to demolish or remove the House. In the event of a

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NOTE 6 DONATED USE OF FACILITIES (CONTINUED)

breach in the lease, all the personal property shall become the property of the University.

- The lease may be terminated by the University with 360 days' notice at which time the University is required to pay the Organization the fair market value of the House based on an independent real estate appraisal.

The Organization also entered into an additional agreement with the University in October 2008, which was amended in December 2011. The major provisions of this agreement include, but are not limited to, the following:

- The purpose of the agreement is to permit the Organization to use a space within CS Mott Children's Hospital ("Mott Hospital") to operate a Ronald McDonald house (the "Mott House"). The Mott House space includes 12 private sleep and bath lodging rooms, as well as a common parent lounge, laundry and reception area.
- The term of the lease is 16.9 years, terminating in October 2028.
- The Mott House space is made available to the Organization without cost, including the facility and facility costs such repairs and maintenance, utilities, local telephone services, and janitorial services, but excluding long distance telephone and data services.
- The University holds the legal title to the building and its fixtures.
- The Organization shall, at its expense obtain all necessary licenses and permits to conduct the Mott House and its operations and shall oversee and coordinate all Mott House staff and volunteers at Mott House. The Organization shall also acquire and maintain all personal property required for Mott House operations and maintain insurance on the same, as well as maintaining general liability insurance at specified minimum coverage limits.

NOTE 6 DONATED USE OF FACILITIES (CONTINUED)

The following amounts have been reported related to the donated use of facilities for the land and Mott House space for the years ended December 31:

	as of January 2021	Activity	as of December 2021
Land lease	$ 186,219	$ (23,277)	$ 162,942
Discount on land lease	(29,976)	6,366	(23,610)
Land lease, net	156,243	(16,911)	139,332
Mott Hospital lease	1,472,322	(187,956)	1,284,366
Discount on Mott Hospital lease	(210,137)	47,939	(162,198)
Mott Hospital lease, net	1,262,185	(140,017)	1,122,168
Total Donated use of facilities adjustments, net	$ 1,418,428	$ (156,928)	$ 1,261,500

	as of January 2020	Activity	as of December 2020
Land lease	$ 209,496	$ (23,277)	$ 186,219
Discount on land lease	(37,004)	7,028	(29,976)
Land lease, net	172,492	(16,249)	156,243
Mott Hospital lease	1,660,278	(187,956)	1,472,322
Discount on Mott Hospital lease	(263,557)	53,420	(210,137)
Mott Hospital lease, net	1,396,721	(134,536)	1,262,185
Total Donated use of facilities adjustments, net	$ 1,569,213	$ (150,785)	$ 1,418,428

NOTE 7 ENDOWMENT FUND

The Organization's endowment consists of one individual fund established by a donor to provide annual funding for specific activities and general operations

Absent explicit donor stipulations to the contrary, the Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of 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.

NOTE 7 ENDOWMENT FUND (CONTINUED)

In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Investment Return Objectives, Risk Parameters and Strategies. The Organization's objective is to earn a respectable, long-term risk adjusted total rate of return to support the Organization's programs. Management recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income is a secondary consideration, as the investment portfolio is comprised entirely of publicly traded securities. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Organization has preference for simple investment structures which will have lower cost, easier oversight and less complexity for internal financial management and auditing.

Spending Policy. The Organization reports endowment earnings as changes in temporarily restricted net assets. The Organization's annual appropriation policy for expenditure of endowment earnings does not require formal action, therefore endowment earnings are released from restriction in the period earned absent action by the Board of Directors.

There were no changes in endowment net assets and net assets by type of fund for the years ended December 31, 2021 and 2020. The endowment fund balance was $496,250 for both years ended December 31, 2021 and 2020 and is included in Investments reported on the Statements of Financial Position.

Fund Deficiencies.
There were no such deficiencies as of December 31, 2021 and 2020.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2021	2020
Subject to expenditure for specific purpose:		
Program Activities:		
Family grants	$ 33,147	$ 33,199
Boos Charitable Trust grant	114,076	89,188
Total subject to expenditure for specific purpose	147,223	122,387
Subject to passage of time		
Contributions receivable	140,667	-
Donated use of facilities	1,261,500	1,418,428
Total Subject to passage of time	1,402,167	1,418,428
Subject to the Organization's spending policy and appropriation:		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	496,250	496,250
Total net assets with donor restrictions	$ 2,045,640	$ 2,037,065

NOTE 9 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

	2021	2020
Passage of specified time	$ 156,980	$ 304,883
Total restrictions released	$ 156,980	$ 304,883

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NOTE 10 DONATED GOODS AND SERVICES

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

	2021	2020
Family Supplies	$ 61,571	$ 191,188
Total	$ 61,571	$ 191,188

NOTE 11 EMPLOYEE RETENTION CREDITS

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. The Organization applied for the 2021 Employee Retention Credit (ERC) from the Internal Revenue Service, subsequent to year end in January 2022. The Organization recognized $62,766 of grant revenue related to performance requirements being met in compliance with the program during the year ended December 31, 2021. See further discussion in Note 16 – Subsequent Events.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization's financial position.

NOTE 12 401(K) SIMPLE IRA PLAN

The Organization provides a 401(k) SIMPLE IRA plan to all full and part-time employees after one year of employment with the Organization. The Organization contributes 3% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were $14,989 and $17,460 for the years ended December 31, 2021 and 2020, respectively.

NOTE 13 TRANSACTIONS WITH RELATED ENTITIES

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,

NOTE 13 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

communications, marketing, and development. The Organization receives 75% of net 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 $70,087 and $107,515, respectively, from these revenue streams.

NOTE 14 PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received proceeds in the amount of $145,839 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP). The PPP proceeds may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the PPP agreement and the CARES Act. The Organization has determined that the loan was a conditional contribution with performance barriers being met as of December 31, 2020 and therefore has recognized these proceeds as grant revenue on the Statement of Activities during the year ended December 31, 2020. This first PPP loan was formally forgiven in April 2021.

In January 2021, the Organization received a second round of PPP loan proceeds in the amount of $145,838. The Organization has determined that the loan was a conditional contribution with performance barriers being met as of December 31, 2021 and therefore has recognized these proceeds as grant revenue on the Statement of Activities during the year ended December 31, 2021. This second PPP loan was formally forgiven in August 2021.

NOTE 15 REVENUE RECOGNITION

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of services for the years ended December 31:

	2021	2020
Revenue Recognized at a Point in Time		
Family Insurance Reimbursement	$ 85,832	$ 139,611
Total Revenue Recognized at a point in time	$ 85,832	$ 139,611

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NOTE 15 REVENUE RECOGNITION (CONTINUED)

The Organization's contract assets consist of:

	as of January 2021	Activity	as of December 2021
Accounts Receivable			
Family Insurance Reimbursement	$ 83,484	$ (27,794)	$ 55,690
Total Accounts Receivable	$ 83,484	$ (27,794)	$ 55,690

	as of January 2020	Activity	as of December 2020
Accounts Receivable			
Family Insurance Reimbursement	$ 8,985	$ 74,499	$ 83,484
Total Accounts Receivable	$ 8,985	$ 74,499	$ 83,484

NOTE 16 SUBSEQUENT EVENTS

Management evaluated subsequent events through July 19, 2022, the date the financial statements were available to be issued. As discussed in Note 11 – Employee Retention Credits, the Organization applied for the 2021 Employee Retention Credit (ERC) from the Internal Revenue Service subsequent to year end in January 2022 for $67,766. The Organization received the ERC funds of $67,766 in May 2022.

NOTE 17 RECENT ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The amendments in the guidance will be effective for fiscal years beginning after June 15, 2021.

NOTE 17 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Organization has not early adopted and is currently evaluating the effect the provision will have on the financial statements.