

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
IOWA CITY, IOWA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities of
Eastern Iowa & Western Illinois
Iowa City, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Eastern Iowa & Western Illinois (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 Eastern Iowa & Western Illinois as of December 31, 2021 and 2020, and the results of its operations 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 Audit of the Financial Statements* section of our report. We are required to be independent of Ronald McDonald House Charities of Eastern Iowa & Western Illinois 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 Ronald McDonald House Charities of Eastern Iowa & Western Illinois' ability to continue as a going concern for one year after the date 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. 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 Ronald McDonald House Charities of Eastern Iowa & Western Illinois' 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 Eastern Iowa & Western Illinois' 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.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
July 14, 2022

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 527,032	\$ 400,345
Contributions Receivable, Net	763,032	83,747
Contributed Leases, Net	41,949	81,636
Prepaid Expenses	26,908	47,893
Other Assets	18,029	5,513
Beneficial Use of Land	7,557	7,557
Total Current Assets	1,384,507	626,691
NONCURRENT ASSETS		
Contributed Leases, Net	-	40,206
Investments	4,303,504	3,127,132
Property and Equipment, Net	1,709,547	1,741,417
Beneficial Use of Land	38,411	45,968
Beneficial Interest in Assets Held by Others	381,634	370,172
Total Noncurrent Assets	6,433,096	5,324,895
Total Assets	\$ 7,817,603	\$ 5,951,586
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 129,962	\$ 148,934
Paycheck Protection Program Loan	-	154,800
Total Liabilities	129,962	303,734
NET ASSETS		
Without Donor Restrictions	4,115,308	2,738,338
With Donor Restrictions	3,572,333	2,909,514
Total Net Assets	7,687,641	5,647,852
Total Liabilities and Net Assets	\$ 7,817,603	\$ 5,951,586

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
STATEMENT 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	\$ 1,553,719	\$ 1,663,673	\$ 3,217,392	\$ 893,337	\$ 145,801	\$ 1,039,138
Contributed Goods and Services	64,673	-	64,673	94,135	-	94,135
Special Events Revenue	107,821	-	107,821	52,067	-	52,067
Room Donation/Fees	4,739	-	4,739	2,764	-	2,764
Other Loss	(2,514)	-	(2,514)	(44,182)	-	(44,182)
Net Assets Released from Restrictions	1,278,579	(1,278,579)	-	598,932	(598,932)	-
Total Revenues and Other Support	<u>3,007,017</u>	<u>385,094</u>	<u>3,392,111</u>	<u>1,597,053</u>	<u>(453,131)</u>	<u>1,143,922</u>
EXPENSES						
Program Services	1,275,238	-	1,275,238	1,254,077	-	1,254,077
Cost of Direct Benefits to Donors	28,153	-	28,153	5,970	-	5,970
Management and General Administration	141,244	-	141,244	141,237	-	141,237
Fundraising	261,896	-	261,896	265,323	-	265,323
Total Expenses	<u>1,706,531</u>	<u>-</u>	<u>1,706,531</u>	<u>1,666,607</u>	<u>-</u>	<u>1,666,607</u>
CHANGE IN NET ASSETS FROM OPERATIONS	1,300,486	385,094	1,685,580	(69,554)	(453,131)	(522,685)
CHANGE IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	-	27,893	27,893	-	36,112	36,112
INVESTMENT INCOME (LOSS), NET	<u>76,484</u>	<u>249,832</u>	<u>326,316</u>	<u>88,339</u>	<u>258,155</u>	<u>346,494</u>
CHANGE IN NET ASSETS	1,376,970	662,819	2,039,789	18,785	(158,864)	(140,079)
Net Assets - Beginning of Year	<u>2,738,338</u>	<u>2,909,514</u>	<u>5,647,852</u>	<u>2,719,553</u>	<u>3,068,378</u>	<u>5,787,931</u>
NET ASSETS - END OF YEAR	<u>\$ 4,115,308</u>	<u>\$ 3,572,333</u>	<u>\$ 7,687,641</u>	<u>\$ 2,738,338</u>	<u>\$ 2,909,514</u>	<u>\$ 5,647,852</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services				Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Rooms	Other Program Services	Total				
Salaries	\$ 326,628	\$ 168,051	\$ -	\$ 494,679	\$ 40,241	\$ 129,954	\$ -	\$ 664,874
Employee Health and Retirement Benefits	47,452	18,661	-	66,113	6,797	22,833	-	95,743
Payroll Taxes	24,215	12,603	-	36,818	2,869	9,158	-	48,845
Total Salaries and Related Expenses	398,295	199,315	-	597,610	49,907	161,945	-	809,462
Automobile Expenses	2,714	-	-	2,714	-	-	-	2,714
Depreciation	146,883	-	-	146,883	1,499	1,499	-	149,881
Donor Recognition	180	-	-	180	-	1,497	-	1,677
House Supplies	48,198	36,551	-	84,749	-	206	-	84,955
Insurance	24,460	-	-	24,460	1,320	-	-	25,780
Linens and Laundry	7,085	-	-	7,085	-	-	-	7,085
Maintenance and Repair	84,571	-	-	84,571	-	-	-	84,571
Meetings, Training, and Seminars	1,135	-	-	1,135	446	83	-	1,664
Supplies	7,649	1,504	-	9,153	39	2,614	28,153	39,959
Other Expenses	49,277	1,596	-	50,873	6,806	1,679	-	59,358
Postage	1,672	-	-	1,672	13	471	-	2,156
Printing and Publishing	3,513	-	-	3,513	-	-	-	3,513
Professional Fees	-	-	-	-	63,888	-	-	63,888
Rent	7,557	81,636	-	89,193	-	-	-	89,193
Technology	6,070	-	-	6,070	2,396	9,123	-	17,589
Telephone	2,129	-	-	2,129	-	-	-	2,129
Travel, Meals, and Entertainment	193	1,901	-	2,094	-	945	-	3,039
Utilities	35,871	-	-	35,871	366	366	-	36,603
Contract Services	90,934	-	-	90,934	14,564	-	-	105,498
Miscellaneous Fundraising	-	-	-	-	-	81,468	-	81,468
Guest Parking Fees	32,988	-	-	32,988	-	-	-	32,988
Volunteer Recognition	1,361	-	-	1,361	-	-	-	1,361
Total Expenses	<u>\$ 952,735</u>	<u>\$ 322,503</u>	<u>\$ -</u>	<u>\$ 1,275,238</u>	<u>\$ 141,244</u>	<u>\$ 261,896</u>	<u>\$ 28,153</u>	<u>\$ 1,706,531</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services			Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services					
Salaries	\$ 308,596	\$ 128,909	\$ -	\$ 437,505	\$ 39,051	\$ 128,954	\$ -	\$ 605,510
Employee Health and Retirement Benefits	40,330	17,875	-	58,205	6,306	21,783	-	86,294
Payroll Taxes	23,400	9,428	-	32,828	2,946	9,495	-	45,269
Total Salaries and Related Expenses	372,326	156,212	-	528,538	48,303	160,232	-	737,073
Automobile Expenses	2,524	-	-	2,524	-	-	-	2,524
Depreciation	151,122	-	-	151,122	1,542	1,542	-	154,206
Donor Recognition	47	-	-	47	-	851	-	898
House Supplies	37,755	23,256	-	61,011	-	2	-	61,013
Insurance	21,831	-	-	21,831	2,507	-	-	24,338
Linens and Laundry	4,730	85	-	4,815	-	-	-	4,815
Grants	-	-	2,000	2,000	-	-	-	2,000
Maintenance and Repair	169,898	-	-	169,898	-	51	-	169,949
Meetings, Training, and Seminars	665	62	-	727	570	90	-	1,387
Supplies	1,866	973	-	2,839	448	1,912	5,970	11,169
Other Expenses	89,029	885	-	89,914	14,196	1,048	-	105,158
Postage	1,014	22	-	1,036	40	43	-	1,119
Printing and Publishing	2,931	-	-	2,931	-	-	-	2,931
Professional Fees	-	-	-	-	56,944	-	-	56,944
Rent	7,557	81,636	-	89,193	-	-	-	89,193
Technology	8,200	-	-	8,200	1,952	24,792	-	34,944
Telephone	2,044	-	-	2,044	-	-	-	2,044
Travel, Meals, and Entertainment	625	777	-	1,402	1,472	154	-	3,028
Utilities	28,703	-	-	28,703	293	293	-	29,289
Contract Services	50,925	-	-	50,925	12,970	-	-	63,895
Miscellaneous Fundraising	-	-	-	-	-	74,240	-	74,240
Guest Parking Fees	33,770	-	-	33,770	-	-	-	33,770
Volunteer Recognition	607	-	-	607	-	73	-	680
Total Expenses	<u>\$ 988,169</u>	<u>\$ 263,908</u>	<u>\$ 2,000</u>	<u>\$ 1,254,077</u>	<u>\$ 141,237</u>	<u>\$ 265,323</u>	<u>\$ 5,970</u>	<u>\$ 1,666,607</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,039,789	\$ (140,079)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	149,881	154,206
Contributed Leases	(1,744)	(3,422)
Amortization of Contributed Leases	81,636	81,636
Contributed Goods	-	(10,000)
Loss on Disposal of Property and Equipment	2,514	44,529
Change in Value of Beneficial Interest in Assets Held by Others	(27,893)	(36,112)
Net Realized and Unrealized (Gains) Losses on Investments	(251,588)	(282,267)
Amortization of Beneficial Use of Land	7,557	7,557
Forgiveness of PPP Loan	(309,600)	-
(Increase) Decrease in Assets:		
Contributions Receivable	(679,285)	87,704
Prepaid Expenses	20,985	(3,780)
Other Assets	(12,516)	6,796
(Decrease) Increase in Liabilities:		
Accounts Payable and Accrued Expenses	(18,972)	6,163
Net Cash Provided (Used) by Operating Activities	1,000,764	(87,069)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,749,301)	(320,389)
Proceeds from Sale of Investments	824,517	259,319
Purchases of Property and Equipment	(120,524)	(168,658)
Distributions from Beneficial Interest in Assets Held by Others	16,431	16,557
Net Cash Used by Investing Activities	(1,028,877)	(213,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Payroll Protection Program Loan	154,800	154,800
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,687	(145,440)
Cash and Cash Equivalents - Beginning of Year	400,345	545,785
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 527,032	\$ 400,345

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Eastern Iowa & Western Illinois (the Organization) is an Iowa nonprofit charitable corporation formed in 1982. Ronald McDonald House Charities (RMHC) is committed to providing services that directly improve the health and well-being of children, while offering a community of comfort and support for families seeking medical care for a child.

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 programs, operated by the Organization, represent 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 Iowa City, which provide 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.

Ronald McDonald Family Rooms

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal, or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program in St. Luke's Hospital and University of Iowa Children's Hospital serves as a place of respite, relaxation, and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

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 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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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.

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 has recorded an allowance for uncollectible receivables of \$-0- as of December 31, 2021 and 2020.

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.

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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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.

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 \$5,000 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 a tax basis for additions capitalized prior to 2014 and is now calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	5 to 39 Years
Office Furniture and Equipment	5 to 10 Years
Vehicles	5 Years

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 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, 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 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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and a board-designated endowment.

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 (Including Room Donation/Fees)

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 deferred revenue. 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.

Special Events Revenue (including Sponsorships and Ticket Sales)

Special events revenue is recognized as revenue in the period the promise was made as the related revenue is not refundable. The portion that relates to the commensurate value the attendee/sponsor receives in return is recognized when the related events are held and performance obligations are met.

Advertising

The Organization expenses advertising costs as incurred.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation and utilities, which are allocated on a square footage basis; salaries and related expenses, which are allocated on the basis of 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 \$1,119,376 and \$216,466 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, which consists of cash and cash equivalents and contributions receivable per the statement of financial position, reduced by \$170,688 and \$267,627 as of December 31, 2021 and 2020, respectively, not available for general use because of contractual or donor-imposed restrictions or board designations.

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

As part of its liquidity management, the Organization invests cash in excess of daily requirements in short-term investments. Occasionally, the board of directors designates a portion of any operating surplus to its operating reserve, which was \$150,000 as of December 31, 2021 and 2020. There is an established board-designated fund where the governing board of directors has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 LIQUIDITY (CONTINUED)

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board-designated endowment could be made available if necessary. The accumulated gain on the donor-restricted endowment required to be maintained in perpetuity by the donor could also be made available by the board of directors, if necessary.

NOTE 3 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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 360,489	\$ -	\$ -	\$ 360,489
International Equity	394,224	-	-	394,224
Asset Allocation	120,414	-	-	120,414
Bonds	956,912	-	-	956,912
Equity Securities:				
U.S. Corporate Equity Securities	<u>1,304,265</u>	<u>-</u>	<u>-</u>	<u>1,304,265</u>
Total	<u>3,136,304</u>	<u>-</u>	<u>-</u>	<u>3,136,304</u>
Money Market	<u>1,167,200</u>	<u>-</u>	<u>-</u>	<u>1,167,200</u>
Total Investments	4,303,504	-	-	4,303,504
Beneficial Interest in Assets Held by Others	<u>-</u>	<u>-</u>	<u>381,634</u>	<u>381,634</u>
Total	<u>\$ 4,303,504</u>	<u>\$ -</u>	<u>\$ 381,634</u>	<u>\$ 4,685,138</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 361,110	\$ -	\$ -	\$ 361,110
International Equity	407,048	-	-	407,048
Asset Allocation	133,979	-	-	133,979
Bonds	893,481	-	-	893,481
Equity Securities:				
U.S. Corporate Equity Securities	<u>1,240,465</u>	<u>-</u>	<u>-</u>	<u>1,240,465</u>
Total	<u>3,036,083</u>	<u>-</u>	<u>-</u>	<u>3,036,083</u>
Money Market	<u>91,049</u>	<u>-</u>	<u>-</u>	<u>91,049</u>
Total Investments	3,127,132	-	-	3,127,132
Beneficial Interest in Assets Held by Others	<u>-</u>	<u>-</u>	<u>370,172</u>	<u>370,172</u>
Total	<u>\$ 3,127,132</u>	<u>\$ -</u>	<u>\$ 370,172</u>	<u>\$ 3,497,304</u>

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 is determined from valuation techniques in which one or more inputs are unobservable.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Assets measured at fair value on a recurring basis using significant observable inputs (Level 3):

	2021	2020
Beginning Balance	\$ 370,172	\$ 350,617
Distributions	(16,431)	(16,557)
Change in Value of Beneficial Interest in Assets Held by Others	27,893	36,112
Ending Balance	\$ 381,634	\$ 370,172

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

	2021	2020
Interest and Dividend Income, Net	\$ 74,728	\$ 64,227
Realized and Unrealized Gains (Losses), Net	251,588	282,267
Investment Income (Loss), Net	\$ 326,316	\$ 346,494

NOTE 4 PROPERTY AND EQUIPMENT

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

	2021	2020
Buildings and Improvements	\$ 4,619,435	\$ 4,565,639
Office Furniture and Equipment	266,024	269,802
Automobile	27,052	27,052
Total, at Cost	4,912,511	4,862,493
Accumulated Depreciation	(3,202,964)	(3,121,076)
Total Property and Equipment	\$ 1,709,547	\$ 1,741,417

NOTE 5 BENEFICIAL USE OF LAND

In 1983, the Organization entered into a lease agreement with the University of Iowa whereby the Organization would lease certain land owned by the University of Iowa. The initial term of the lease was for a 45-year period that ends on January 31, 2028. An independent appraisal determined that the fair value of the space at the time of inception was \$304,384. The annual rental value was estimated to be approximately \$7,557 per year. The value remaining on the use of land as of December 31, 2021 and 2020 is \$45,968 and \$53,525, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2021 and 2020, rent expense of \$7,557 was recorded in connection with this lease agreement.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

A donor has contributed assets to an unrelated third-party in exchange for a promise by the unrelated third-party to pay a fixed amount for a specified period of time to individuals designated by the donor. Under the terms of the agreement, no trust exists, as the assets received are held by and the liability is an obligation of the unrelated third-party. The Organization is named as a beneficiary in the agreements. Accordingly, contribution revenue with donor restrictions and the related assets are recognized at fair value in the period in which the Organization received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statements of activities as the change in value of beneficial interest in assets held by others.

NOTE 7 ENDOWMENT FUNDS

The Organization's endowment consists of two individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the board of directors.

Absent explicit donor stipulations to the contrary, the board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as 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. 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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies: The Organization has adopted investment objectives to seek maximum total return consistent with the preservation of principal, diversification, and avoidance of excessive risk. An equity-oriented strategy is required to meet the investment objectives. As a result, it is acceptable for the majority of assets to be invested in equity or equity-like securities, including real estate assets (real estate and natural resources). The preferable approach is to invest funds in mutual fund type investments. Real assets provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. A target for asset allocations will be 35-70% equities and 30-65% fixed income. Fixed income assets other than cash equivalents shall have a Moody's or Standard Poor's rating of at least "BAA." A blended benchmark of each sub asset class held within the Organization's portfolio will be utilized for the purpose of evaluating investment and manager performance. The goal shall be to meet or exceed, net of management fees, the return of each sub asset class.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Spending Policy: The spending policy is set by the board of directors and is reviewed annually.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 964,529	\$ 2,162,603	\$ 3,127,132
Investment Return, Net	76,540	249,832	326,372
Contributions	1,000,000	-	1,000,000
Appropriation of Endowment Asset for Expenditure	(150,000)	-	(150,000)
Endowment Net Assets, End of Year	<u>\$ 1,891,069</u>	<u>\$ 2,412,435</u>	<u>\$ 4,303,504</u>
Board-Designated Endowment Funds	\$ 1,891,069	\$ -	\$ 1,891,069
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor	-	500,000	500,000
Portion Subject to Appropriation under UPMIFA	-	1,912,435	1,912,435
Total Funds	<u>\$ 1,891,069</u>	<u>\$ 2,412,435</u>	<u>\$ 4,303,504</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 879,346	\$ 1,904,448	\$ 2,783,794
Investment Return, Net	85,183	258,155	343,338
Appropriation of Endowment Asset for Expenditure	-	-	-
Endowment Net Assets, End of Year	<u>\$ 964,529</u>	<u>\$ 2,162,603</u>	<u>\$ 3,127,132</u>
Board-Designated Endowment Funds	\$ 964,529	\$ -	\$ 964,529
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor	-	500,000	500,000
Portion Subject to Appropriation under UPMIFA	-	1,662,603	1,662,603
Total Funds	<u>\$ 964,529</u>	<u>\$ 2,162,603</u>	<u>\$ 3,127,132</u>

No funds are underwater as of December 31, 2021 and 2020.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
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:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specific Purpose:		
Toy Room	\$ 1,478	\$ 1,478
Refresh Project	14,097	101,048
Remodeling, RMH Iowa City	-	12,514
Linens and Love	2,442	2,584
Healthy Initiatives	2,671	-
Beneficial Use of Land	45,968	53,525
St. Luke's Family Room Contributed Lease	30,944	67,470
University of Iowa Children's Hospital Family Room Contributed Lease	<u>11,005</u>	<u>54,372</u>
Total	<u>108,605</u>	<u>292,991</u>
Subject to Passage of Time:		
For Periods after December 31	1,051,293	453,920
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	500,000	500,000
Accumulated Gain	<u>1,912,435</u>	<u>1,662,603</u>
Total Ronald McDonald House Operations	<u>2,412,435</u>	<u>2,162,603</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 3,572,333</u></u>	<u><u>\$ 2,909,514</u></u>

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 year ended December 31:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions Accomplished:		
Beneficial Use of Land	\$ 7,557	\$ 7,557
St. Luke's Family Room Contributed Lease	36,526	35,875
University of Iowa Children's Hospital Family Room Contributed Lease	43,367	42,339
Food Pantry	-	6,900
Holiday Meals	-	1,326
Toy Room	-	69
Refresh Project	86,951	288,484
Remodeling, RMH Iowa City	12,514	8,806
Healthy Initiatives	4,829	-
Linens and Love	7,085	2,413
Total	<u>198,829</u>	<u>393,769</u>
Time Restrictions Expired:		
Passage of Specified Time	1,079,750	205,163
Total Restrictions Released	<u>\$ 1,278,579</u>	<u>\$ 598,932</u>

NOTE 10 NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Board-Designated Endowment	\$ 1,891,069	\$ 964,529
Board-Designated Operating Reserve	150,000	150,000
Total	<u>\$ 2,041,069</u>	<u>\$ 1,114,529</u>

NOTE 11 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 are as follows:

	<u>2021</u>	<u>2020</u>
Family Support	\$ 58,445	\$ 79,914
Family Room	-	3,422
Property Improvements	-	10,000
Maintenance	-	128
Professional Services	6,228	671
Total	<u>\$ 64,673</u>	<u>\$ 94,135</u>

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 12 CONTRIBUTED LEASES

The Organization has entered into a lease agreement with St. Luke’s Hospital for the Ronald McDonald Family Room expiring in 2022 with options to renew. Subsequent to year-end, the Organization renewed the lease agreement. The value of the contributed lease has been discounted at a rate of 1.8%.

Based on the estimated fair value of the space, the Organization has recorded an asset for the present value of the contributed lease. The calculation of the present value of the contributed lease and the related discount to present value are based on certain estimates of the fair value of the space, its annual lease value, and a discount rate. The contribution receivable is amortized to rent expense over the life of the asset. For the years ended December 31, 2021 and 2020, the Organization recognized \$37,440 of rent expense under this lease.

Management believes the contributed lease receivable and discount to present value are reasonable estimates based on information currently known. However, circumstances impacting these estimates could occur which could significantly change these calculations.

Contributed Lease Receivable	\$ 31,200
Less: Discount to Present Value	<u>(256)</u>
Net Present Value of Contributed Lease Receivable	<u><u>\$ 30,944</u></u>

Amounts Due in Years Ending December 31:	
Less than One Year	\$ 31,200
One to Five Years	<u>-</u>
Total	<u><u>\$ 31,200</u></u>

The Organization has entered into a lease agreement with University of Iowa Children’s Hospital for the Ronald McDonald Family Room beginning in March of 2017. The lease covers a period of five years with options to renew. Subsequent to year-end, the Organization renewed the lease agreement. The value of the contributed lease has been discounted at a rate of 2.4%.

Based on the estimated fair value of the space, the Organization has recorded an asset for the present value of the contributed lease. The calculation of the present value of the contributed lease and the related discount to present value are based on certain estimates of the fair value of the space, its annual lease value, and a discount rate. The contribution receivable is amortized to rent expense over the life of the asset. For the years ended December 31, 2021 and 2020, the Organization recognized \$44,196 of rent expense under this lease.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 12 CONTRIBUTED LEASES (CONTINUED)

Management believes the contributed lease receivable and discount to present value are reasonable estimates based on information currently known. However, circumstances impacting these estimates could occur which could significantly change these calculations.

Contributed Lease Receivable	\$ 11,049
Less: Discount to Present Value	(44)
Net Present Value of Contributed Lease Receivable	<u>\$ 11,005</u>

Amounts Due in Years Ending December 31:	
Less than One Year	\$ 11,049
One to Five Years	-
Total	<u>\$ 11,049</u>

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, 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 \$307,166 and \$213,864, respectively, from these revenue streams.

NOTE 14 RETIREMENT PLAN

The Organization provides a 403(b) Retirement Plan (the Plan) to all employees with the exception of employees who are students or employees who are expected to work fewer than 1,000 hours in the first 12 months of employment. The Organization may, in its sole discretion, make a nonelective contribution to the Plan on behalf of the employees if they have completed at least 1,000 hours of service during the Plan year or are employed by the Organization on the last day of the Plan year. Nonelective contributions will be allocated to the nonelective contribution accounts of each employee eligible to share in such allocations in the ratio that each employee’s compensation bears to the compensation of all eligible participants. The nonelective contributions are allocated to the participant account at the end of each Plan year. The Organization’s contribution into the Plan for the years ended December 31, 2021 and 2020 totaled \$33,547 and \$35,458, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 15 CONCENTRATIONS

Contributions totaling \$1,600,000 were received from a single donor during the year ended December 31, 2021, which represents 47% of total revenue. As of December 31, 2021, \$600,000 was included in contributions receivable on the statement of financial position. There were no such contributions during the year ended December 31, 2020.

NOTE 16 PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020, the Organization applied for and obtained a \$154,800 Paycheck Protection Program (PPP Loan), administered by the U.S. Small Business Administration (the SBA), established under the Coronavirus Aid, Relief, and Economic Security Act (Cares Act). Amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Organization is following ASC 470, *Debt*, to account for the initial receipts related to the PPP Loan. On January 27, 2021, the PPP Loan was fully forgiven, and the Organization was legally released from the debt. The amount is recorded in contributions on the statement of activities in 2021.

On March 18, 2021, the Organization applied for and obtained a \$154,800 Paycheck Protection Program (PPP Loan), administered by the U.S. Small Business Administration (the SBA), established under the Coronavirus Aid, Relief, and Economic Security Act (Cares Act). Amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Organization is following ASC 470, *Debt*, to account for the initial receipts related to the PPP Loan. On September 24, 2021, the PPP Loan was fully forgiven, and the Organization was legally released from the debt. The amount is recorded in contributions on the statement of activities in 2021.

The SBA may review funding eligibility and usage of funds for compliance and program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 17 EMPLOYEE RETENTION CREDIT

On March 25, 2020, Congress passed the CARES Act that included the Employee Retention Tax Credit (ERC), a refundable tax credit against certain employment taxes on qualified wages an eligible employer pays to employees. Enacted on December 27, 2020, the Taxpayer Certainty and Disaster Tax Relief Act made a number of changes to the ERC. For wages paid after December 31, 2020, and before January 1, 2022, eligible employers can claim a 70% credit on employee wages of \$10,000 per quarter. The Organization was eligible for the ERC for the first quarter of 2021. Credits totaling \$93,373 were filed and recorded as contributions in the statement of activity for the year ending December 31, 2021, and included in contributions receivable in the statement of financial position as of December 31, 2021.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 18 SUBSEQUENT EVENTS

Management evaluated subsequent events through July 14, 2022, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.



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