

RONALD MCDONALD HOUSE
CHARITIES OF OREGON AND
SOUTHWEST WASHINGTON

Audited Financial Statements

For the Years Ended
December 31, 2021 and 2020



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ronald McDonald House Charities
of Oregon and Southwest Washington

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities (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 as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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' 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' 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' 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.

McDonald Jacobson, P.C.

Portland, Oregon
July 20, 2022

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

| | 2021 | 2020 |
|--|---------------|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,623,994 | \$ 1,789,580 |
| Accounts receivable | 601,329 | 440,784 |
| Contributions receivable | 730,430 | 331,148 |
| Prepaid expenses | 69,077 | 117,656 |
| Short-term investments | 4,094,145 | 3,222,457 |
| Total current assets | 7,118,975 | 5,901,625 |
| Investments | 9,209,156 | 8,306,724 |
| Contributions receivable, less current portion | 110,000 | 185,000 |
| Bargain land lease contributions receivable, net | 129,249 | 151,227 |
| Property and equipment, net | 3,957,779 | 4,359,169 |
| TOTAL ASSETS | \$ 20,525,159 | \$ 18,903,745 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 227,267 | \$ 111,917 |
| Accrued expenses | 166,485 | 137,782 |
| Deferred revenue | 8,400 | 11,034 |
| Total current liabilities | 402,152 | 260,733 |
| Net assets: | | |
| Without donor restrictions | 15,941,198 | 15,005,014 |
| With donor restrictions | 4,181,809 | 3,637,998 |
| Total net assets | 20,123,007 | 18,643,012 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 20,525,159 | \$ 18,903,745 |

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Public support: | | | |
| Gross revenue from special events | \$ 1,276,470 | \$ - | \$ 1,276,470 |
| Less direct benefit costs | <u>(105,353)</u> | <u>-</u> | <u>(105,353)</u> |
| Special events, net | 1,171,117 | - | 1,171,117 |
| Donations and grants | 1,822,127 | 126,969 | 1,949,096 |
| Promotions and third party events | 819,643 | - | 819,643 |
| Bargain land lease contributions | - | 51,654 | 51,654 |
| Contributions in-kind | 2,474,900 | - | 2,474,900 |
| Government stimulus revenue | 554,870 | - | 554,870 |
| Net assets released from restrictions | <u>342,892</u> | <u>(342,892)</u> | <u>-</u> |
| Total public support | 7,185,549 | (164,269) | 7,021,280 |
| Revenues and other income: | | | |
| Hospital partner revenue | 1,240,192 | - | 1,240,192 |
| Third party reimbursements | 102,120 | - | 102,120 |
| Investment income, net | 130,798 | 37,893 | 168,691 |
| Realized/unrealized gain on investments | 430,149 | 303,520 | 733,669 |
| Other income | <u>6,136</u> | <u>-</u> | <u>6,136</u> |
| Total support and revenue | <u>9,094,944</u> | <u>177,144</u> | <u>9,272,088</u> |
| Expenses: | | | |
| Program services | 6,583,937 | - | 6,583,937 |
| Management and general | 531,217 | - | 531,217 |
| Fundraising | <u>1,045,514</u> | <u>-</u> | <u>1,045,514</u> |
| Total expenses | <u>8,160,668</u> | <u>-</u> | <u>8,160,668</u> |
| Change in net assets from operations | 934,276 | 177,144 | 1,111,420 |
| Non-operating activities: | | | |
| Capital campaign - contributions | - | 368,575 | 368,575 |
| Capital campaign - net assets released from restrictions | <u>1,908</u> | <u>(1,908)</u> | <u>-</u> |
| Change in net assets | 936,184 | 543,811 | 1,479,995 |
| Net assets: | | | |
| Beginning of year | <u>15,005,014</u> | <u>3,637,998</u> | <u>18,643,012</u> |
| End of year | <u>\$ 15,941,198</u> | <u>\$ 4,181,809</u> | <u>\$ 20,123,007</u> |

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Public support: | | | |
| Gross revenue from special events | \$ 1,065,622 | \$ - | \$ 1,065,622 |
| Less direct benefit costs | <u>(26,274)</u> | <u>-</u> | <u>(26,274)</u> |
| Special events, net | 1,039,348 | - | 1,039,348 |
| Donations and grants | 1,513,590 | 100,466 | 1,614,056 |
| Promotions and third party | 563,824 | - | 563,824 |
| Bargain land lease contributions | - | 48,996 | 48,996 |
| Contributions in-kind | 1,997,583 | - | 1,997,583 |
| Government stimulus revenue | 720,328 | - | 720,328 |
| Net assets released from restrictions | <u>479,690</u> | <u>(479,690)</u> | <u>-</u> |
| Total public support | 6,314,363 | (330,228) | 5,984,135 |
| Revenues and other income: | | | |
| Hospital partner revenue | 1,196,021 | - | 1,196,021 |
| Third party reimbursements | 69,440 | - | 69,440 |
| Investment earnings, net | 113,812 | 29,467 | 143,279 |
| Realized/unrealized gain on investments | 563,022 | 297,800 | 860,822 |
| Other income | <u>23,032</u> | <u>-</u> | <u>23,032</u> |
| Total support and revenue | <u>8,279,690</u> | <u>(2,961)</u> | <u>8,276,729</u> |
| Expenses: | | | |
| Program services | 5,636,304 | - | 5,636,304 |
| Management and general | 447,296 | - | 447,296 |
| Fundraising | <u>1,164,996</u> | <u>-</u> | <u>1,164,996</u> |
| Total expenses | <u>7,248,596</u> | <u>-</u> | <u>7,248,596</u> |
| Change in net assets from operations | 1,031,094 | (2,961) | 1,028,133 |
| Non-operating activities: | | | |
| Capital campaign - net assets released from restrictions | <u>109,214</u> | <u>(109,214)</u> | <u>-</u> |
| Change in net assets | 1,165,308 | (112,175) | 1,053,133 |
| Net assets: | | | |
| Beginning of year, as restated | <u>13,839,706</u> | <u>3,750,173</u> | <u>17,589,879</u> |
| End of year | <u>\$ 15,005,014</u> | <u>\$ 3,637,998</u> | <u>\$ 18,643,012</u> |

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|---------------------|---------------------|
| Salaries, taxes and benefits | \$ 2,172,979 | \$ 414,046 | \$ 690,610 | \$ 3,277,635 |
| Professional services | 27,997 | 70,142 | 250,454 | 348,593 |
| In-kind use of facility | 2,014,550 | - | - | 2,014,550 |
| House services and supplies | 1,357,293 | 250 | - | 1,357,543 |
| Land lease | 73,633 | - | - | 73,633 |
| Utilities | 209,928 | 10,102 | 6,779 | 226,809 |
| Depreciation and amortization | 475,523 | 7,339 | 14,334 | 497,196 |
| Repairs and maintenance | 85,336 | - | - | 85,336 |
| Insurance | 44,215 | 3,513 | 12,799 | 60,527 |
| Office and technology expenses | 113,273 | 13,112 | 58,881 | 185,266 |
| Direct event costs | - | - | 105,353 | 105,353 |
| Travel, conferences and meetings | 4,954 | 3,541 | 5,530 | 14,025 |
| Volunteer recruitment and staff morale | 3,322 | 2,158 | 3,532 | 9,012 |
| Other operating expenses | 934 | 7,014 | 2,595 | 10,543 |
| | <u>6,583,937</u> | <u>531,217</u> | <u>1,150,867</u> | <u>8,266,021</u> |
| Less direct benefit costs netted with revenue on statement of activities | <u>-</u> | <u>-</u> | <u>(105,353)</u> | <u>(105,353)</u> |
| Total expenses | <u>\$ 6,583,937</u> | <u>\$ 531,217</u> | <u>\$ 1,045,514</u> | <u>\$ 8,160,668</u> |

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|---------------------|---------------------|
| Salaries, taxes and benefits | \$ 1,900,785 | \$ 309,518 | \$ 847,454 | \$ 3,057,757 |
| Professional services | 26,175 | 87,789 | 227,007 | 340,971 |
| In-kind use of facility | 1,783,347 | - | - | 1,783,347 |
| House services and supplies | 944,711 | - | - | 944,711 |
| Land lease | 72,007 | - | - | 72,007 |
| Utilities | 187,980 | 7,704 | 7,333 | 203,017 |
| Depreciation and amortization | 480,454 | 7,814 | 20,515 | 508,783 |
| Repairs and maintenance | 75,405 | - | - | 75,405 |
| Insurance | 43,236 | 3,041 | 10,158 | 56,435 |
| Office and technology expenses | 114,159 | 10,336 | 40,380 | 164,875 |
| Direct event costs | - | - | 26,274 | 26,274 |
| Travel, conferences and meetings | 6,063 | 8,654 | 2,360 | 17,077 |
| Volunteer recruitment and management | 1,303 | 3,636 | 2,226 | 7,165 |
| Other operating expenses | 679 | 8,804 | 7,563 | 17,046 |
| | <u>5,636,304</u> | <u>447,296</u> | <u>1,191,270</u> | <u>7,274,870</u> |
| Less direct benefit costs netted with revenue on statement of activities | <u>-</u> | <u>-</u> | <u>(26,274)</u> | <u>(26,274)</u> |
| Total expenses | <u>\$ 5,636,304</u> | <u>\$ 447,296</u> | <u>\$ 1,164,996</u> | <u>\$ 7,248,596</u> |

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,479,995 | \$ 1,053,133 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Cash from contributions restricted for capital improvements | (368,575) | - |
| Net realized and unrealized gain on investments | (733,669) | (860,822) |
| Loss on disposal of property and equipment | 12,144 | - |
| Donated property | (7,600) | (38,100) |
| Depreciation and amortization | 497,196 | 508,783 |
| (Increase) decrease in: | | |
| Accounts and contributions receivable | (484,827) | (114,701) |
| Prepaid expenses | 48,579 | (79,093) |
| Bargain land lease contributions receivable | 21,978 | 23,012 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 144,053 | (68,615) |
| Deferred revenue | (2,634) | (23,258) |
| Net cash flows from operating activities | <u>606,640</u> | <u>400,339</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (100,350) | (6,252) |
| Purchase of investments | (4,723,005) | (3,631,402) |
| Payments received on notes receivable | - | 5,196 |
| Proceeds from the sale of investments | <u>3,682,554</u> | <u>3,550,271</u> |
| Net cash flows from investing activities | <u>(1,140,801)</u> | <u>(82,187)</u> |
| Cash flows from financing activities: | | |
| Cash from contributions restricted for capital improvements | <u>368,575</u> | - |
| Net cash flows from financing activities | <u>368,575</u> | - |
| Net change in cash and cash equivalents | (165,586) | 318,152 |
| Cash and cash equivalents - beginning of year | <u>1,789,580</u> | <u>1,471,428</u> |
| Cash and cash equivalents - end of year | <u>\$ 1,623,994</u> | <u>\$ 1,789,580</u> |

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Ronald McDonald House Charities of Oregon and Southwest Washington (RMHC or the Organization) is a non-profit corporation, incorporated in 1982 under the laws of the State of Oregon. RMHC's House Program, its cornerstone program, provides temporary lodging, comfort, family based activities and general support for families of seriously ill and injured children who are being treated at medical facilities in the communities of Portland, Bend, and Springfield, Oregon.

RMHC operates four residential facilities, in Portland, Bend, and Springfield as part of the House Program. A 25-room East House, located on the campus of Legacy Emanuel Medical Center in Northeast Portland is owned by the Organization on leased land. The South Waterfront House operates 38 rooms in the Rood Family Pavilion located on the OHSU Campus. In Springfield, RMHC operates 10 rooms at the Heartfelt House located on the campus of PeaceHealth Sacred Heart. RMHC also operates a 6-room Bend House located on the campus of St. Charles Hospital, which is owned by the Organization on leased land.

Due to the Covid-19 pandemic, houses continued to operate in modified operations for the first half of the year to ensure the safety of guests and staff. While occupancy caps were lifted, RMHC slowly and strategically reopened common spaces, restarted in-house family programming, lifted visitor restrictions, and reinstated our volunteer program. The organization is maintaining a hybrid work environment for non-guest facing staff.

In 2021, these four houses served over 15,000 meals; and, supported over 1,885 families, and 3831 children, for a total of 17,967 nights.

The RMHC Hospitality Cart Program normally operates at Randall Children's Hospital, Doernbecher Children's Hospital, Salem Hospital, and St. Charles Medical Center. This in-hospital program supports children and families by providing free food, refreshments, and comfort care items on a fully stocked cart that travels between the hospital's neonatal ICU, pediatric ICU, and acute-care floors. This program is staffed entirely by volunteers. Due to the Covid-19 pandemic, The Randall Children's Hospital and Doernbecher Children's Hospital carts remained temporarily closed. The Salem cart did reopen in 2021 and provided 2780 treats to 1224 individuals and was staffed by 189 volunteer hours.

The principal sources of revenue for RMHC are donations from individuals, businesses, organizations, and contracts with hospital partners. McDonald's Corporation, together with its local franchisees, contributes to RMHC through national and local promotions, and facilitates donations from their customers through the donation box program and other initiatives.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2021 and 2020

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Description of Organization, Continued

OHSU, St. Charles Medical Center, and PeaceHealth Sacred Heart Medical Center provides hospital partner revenue through long-term agreements to support adult patient housing within the houses. Additionally, state insurance programs are billed if insurance coverage is available; however, insurance is not required.

Basis of Accounting

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

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included with investments are considered investments.

Accounts Receivable

Accounts receivable from insurance billings and hospital partners are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for potentially uncollectible amounts through a valuation allowance based on its assessment of the status of individual accounts. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2021 and 2020

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Contributions Receivable

Contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be insignificant. Contributions receivable in more than one year, if material to the financial statements, are discounted to present value, incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Short-Term Investments

Short-term investments are comprised of money market funds and certificates of deposit, which are classified as held-to-maturity and are carried at their fair value based on the quoted market prices. Net realized and unrealized gains and losses on short-term investments are recorded in the statement of activities. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

Investments

All investments are recorded at fair value, based on quoted market prices. Any unrealized gain or loss related to holding investments is recorded in the statements of activities. Donor-restricted investment income earned on net assets with perpetual donor restrictions is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction. Interest and dividend income is accrued as earned and reported net of investment advisory fees.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment purchased are recorded at cost. Projects that were started, but not completed at the end of each year are included in construction in progress. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, generally 39 years for buildings, 10 to 30 years for building improvements, and 3 to 10 years for furniture, equipment, and vehicles. Repairs and maintenance are charged to expense when incurred.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount, or fair value less costs to sell.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2021 and 2020

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Revenue Recognition

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recognized as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Revenue from hospital partner agreements is recognized monthly over the agreement period when the services are received by the hospital partners. Third party reimbursements are recognized as revenue when housing has been provided to eligible families.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Contributions In-Kind

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would be purchased if not provided by donation. These donated services are recognized at fair value. Donations of property, equipment, materials and other assets, including donated facility usage, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

During the years ended December 31, 2021 and 2020, the Organization recorded the following in-kind contributions:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|--------------------|---------------------|
| Programs | \$ 331,242 | \$ 176,136 |
| Special events | 121,508 | - |
| Property and equipment | 7,600 | 38,100 |
| Donated facility * | <u>2,014,550</u> | <u>1,783,347</u> |
| Total contributions in-kind | <u>\$2,474,900</u> | <u>\$ 1,997,583</u> |

*The Organization received donated facility usage for both the OHSU Rood Family Pavilion (South Waterfront) and the PeaceHealth Heartfelt House (Springfield).

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2021 and 2020

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Contributions In-Kind, Continued

In addition, in 2021 and 2020, the Organization received over 3,000 and 3,700 hours, respectively, of volunteer service from volunteers who assist in various capacities, including house operations, family centered programming, fundraising and management oversight by the Board of Trustees. No amounts have been reflected in the financial statements related to these donated services, as they do not meet the criteria cited above.

Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about the duration these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Government Stimulus Revenue

The Organization received Paycheck Protection Program (PPP) loans of approximately \$554,900 in 2021 and \$525,700 in 2020, guaranteed by the Small Business Administration (SBA). The loans are accounted for as conditional advances and accrue interest at 1%. The loans may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advances will be recognized as revenue. The Organization met the allowable expense conditions and the loans were forgiven and the advances were recognized as revenue and included in the Statement of Activities as government stimulus revenue in the year received. The Organization also filed claims for refunds of 2020 Employee Retention Tax Credits of approximately \$195,000, which have not yet been received as of the date of the auditor's report.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation methodology and associated expenses that are allocated include:

- Estimates of time and effort – salaries and related costs, professional services, office expenses, information technology, and other
- Square footage - occupancy, depreciation, insurance, and utilities

Annuities

Any annuities held by the Organization are fully reinsured; as such, no liability has been recorded in the financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF OREGON AND SOUTHWEST WASHINGTON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2021 and 2020

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future Accounting Standard

Effective for financial statements for the year ending December 31, 2022, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

Subsequent Events

The Organization has evaluated all subsequent events through July 20, 2022, the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

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2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets available for general expenditure consist of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 1,623,994 | \$ 1,789,580 |
| Accounts receivable - insurance billings | 406,729 | 246,186 |
| Contributions and grants receivable (current) | 730,430 | 331,148 |
| Short-term investments | 4,094,145 | 3,222,457 |
| Estimated distributions from quasi-endowments | 308,640 | - |
| Investments | <u>9,209,156</u> | <u>8,306,724</u> |
| | 16,373,094 | 13,896,095 |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions (current) | 3,696,000 | 3,168,921 |
| Board designations | <u>6,955,771</u> | <u>6,401,031</u> |
| Financial assets available for general expenditure | <u>\$ 5,721,323</u> | <u>\$ 4,326,143</u> |

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. While the corpus of the donor-restricted endowments is not available for general use, the income from donor-restricted endowments is restricted until appropriated by the Board for general expenditure and subject to the annual spending rate up to 4%. The Board-designated endowment of \$5.3 million is also subject to the annual spending rate up to 4% as described in Note II. The Organization does not intend to use funds from the board-designated endowment (other than amounts appropriated for general expenditure as a part of the annual budget approval and appropriation by the Organization's Board), but these amounts could be made available, if necessary, with a Board vote.

Within short-term investments, the Board has designated \$1.1 million to support building maintenance and special projects. The Organization's intent is to use these funds for large one-time expenses outside the realm of operations. However, the funds could also be made available for general expenditure with a Board vote.

As a part of the Organization's liquidity management plan, it may invest cash in excess of its operating reserve requirements in short-term investments or the endowment to maximize earnings.

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3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contributions receivable are unsecured and consist of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Insurance billings and hospital partners | \$ 406,729 | \$ 246,186 |
| Other receivables | <u>194,599</u> | <u>194,598</u> |
| Total accounts receivable | 601,328 | 440,784 |
| Contributions receivable - due within one year | 730,430 | 331,148 |
| Contributions receivable - due in two to five years | 100,000 | 155,000 |
| Contributions receivable - due in over five years | <u>10,000</u> | <u>30,000</u> |
| Total contributions receivable | <u>840,430</u> | <u>516,148</u> |
| Total accounts and contributions receivable | <u>\$ 1,441,758</u> | <u>\$ 956,932</u> |

4. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|---------------------|---------------------|
| Certificates of deposit | \$ 4,044,246 | \$ 3,207,538 |
| Money market funds | <u>49,899</u> | <u>14,919</u> |
| Total short-term investments | <u>\$ 4,094,145</u> | <u>\$ 3,222,457</u> |

Certificates of deposit are recorded at the value reported by the bank, which approximates market value. Interest earned on the certificates ranges from 0.15% to 3.15% at December 31, 2021 and 0.15% to 3.15% at December 31, 2020. The certificates mature at various dates through August 2024 and are expected to be held to maturity. Money market funds are expected to be held for over ninety days and are considered to be short-term investments.

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5. INVESTMENTS

Long-term investments are summarized as follows at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------------|-------------------------|
| Endowment: | | |
| Money market funds | \$ 115,646 | \$ 156,531 |
| Fixed income | 2,988,114 | 2,606,526 |
| Mutual funds and other investments | 5,729,867 | 5,225,907 |
| Beneficial interest in assets held | <u>375,528</u> | <u>317,760</u> |
| Total long-term investments | <u>\$ 9,209,155</u> | <u>\$ 8,306,724</u> |

Long-term investments consist of the endowment funds (see Note 11) and other investments with maturities greater than one year. Such investments are carried at fair value.

The Organization has a fund with Oregon Community Foundation (OCF) under OCF's Endowment Partners Program. The Organization's fund is pooled with other assets managed by OCF and is invested in debt, equity and other securities which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF; however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. Also under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization. The beneficial interest in assets and are included in endowment net assets (Note 12).

6. BARGAIN LAND LEASES

Commencing on June 1, 1995, RMHC was given a significant lease concession by Legacy Emanuel Hospital and Health Center, when a member of the Board of Directors is employed, for the approximately 1.5 acres of land that the East House occupies. The agreement stipulates land lease costs will be \$1 per year through 2025. RMHC may extend the term of the lease for ten additional years under the same terms. RMHC intends to exercise this option. The agreement also stipulates that the terms of the bargain lease apply as long as the property is used for the stated charitable purpose. Should the property be used for any other purpose, the yearly lease amount would be equal to 10% of the current fair market value of the property.

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6. BARGAIN LAND LEASES, Continued

The lessor entered into the lease in continued recognition of their partnership and therefore, the value of the benefit is recognized on the financial statements. Accounting principles generally accepted in the United States of America (GAAP) require that the present value of the estimated future lease payments which will not be paid be recorded as a contribution in the year received. Additionally, GAAP requires that the fair value of each year's land lease be recorded as an expense, that the initial contribution be amortized over its term, and that an additional contribution be recorded annually which represents the approximate interest increase in the initial contribution.

An appraisal established a market value of \$355,000 for the property, as of June 1, 1995. The estimated inflation rate, which the property is subject to during the period June 1, 1995 through May 31, 2035, is 2.5%. The future estimated lease payments are discounted at the one-year Treasury Bill discount rate at the June 22, 1995 auction, of 5.22%. The present value of the estimated future lease payments of \$847,340 was recorded on the statement of financial position as bargain land lease contribution receivable.

The Bend location holds a bargain land lease agreement with St. Charles Medical Center, an unrelated nonprofit organization. Under terms of the agreement the Organization rents approximately 2.5 acres of land on which their building is located for \$100 per year through 2025. The present value of the estimated future lease payments of \$209,850 was recorded on the statement of financial position as bargain land lease contribution receivable at lease inception in 1995.

The unamortized contributions receivable is as follows at December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| East House: | | |
| Bargain land lease contribution receivable | \$ 847,340 | \$ 847,340 |
| Less accumulated amortization | <u>746,073</u> | <u>731,090</u> |
| | <u>101,267</u> | <u>116,250</u> |
| Bend House: | | |
| Bargain land lease contributions receivable | \$ 209,850 | \$ 209,850 |
| Less accumulated amortization | <u>181,868</u> | <u>174,873</u> |
| | <u>27,982</u> | <u>34,977</u> |
| Bargain land lease contribution | | |
| receivable, net | <u>\$ 129,249</u> | <u>\$ 151,227</u> |

The fair value of the land lease expense was \$73,633 and \$72,007 in 2021 and 2020, respectively. The contribution income from the bargain land leases recognized was \$51,654 and \$48,996 in 2021 and 2020, respectively. The amount of net assets released from restriction for the expiration of time was \$21,978 and \$23,012 in 2021 and 2020, respectively.

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7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021 and 2020:

| | 2021 | 2020 |
|-------------------------------|--------------|--------------|
| Buildings | \$ 6,566,123 | \$ 6,616,579 |
| Furniture and equipment | 2,124,858 | 2,681,319 |
| Collectibles | 32,160 | 32,160 |
| | 8,808,573 | 9,330,058 |
| Less accumulated depreciation | 4,850,794 | 4,970,889 |
| Property and equipment, net | \$ 3,957,779 | \$ 4,359,169 |

Collectibles consist of twenty-four donated paintings that are capitalized at the average fair market value at the date the items were contributed.

8. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statement of financial position.

- Revenue from hospital partners is recognized monthly over the agreement period when services are provided to hospital partners. The contracts extend for 10 years with an optional 5-year renewal period and can be cancelled mutually with no notice, or unilaterally by either party with 180 days notice.
- Revenue from third party reimbursements are recognized when the organization has provided housing to eligible families. These amounts are due from third party payers, as applicable, and include variable 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.

The beginning and ending contract balances are as follows at December 31:

| | 2021 | 2020 | 2019 |
|--|------------|------------|------------|
| Accounts receivable (contract assets): | | | |
| Hospital partner receivable | \$ 406,729 | \$ 246,186 | \$ 117,167 |

There are no contract liabilities associated with these revenue streams at December 31, 2021, 2020, and 2019.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---------------|---------------|
| Undesignated | \$ 5,027,648 | \$ 4,244,814 |
| Board designated - endowment (Note 11) | 5,867,229 | 5,306,209 |
| Board designated - building fund | 824,702 | 830,982 |
| Board designated - special project | 263,840 | 263,840 |
| Property and equipment, net | 3,957,779 | 4,359,169 |
| Total net assets without donor restrictions | \$ 15,941,198 | \$ 15,005,014 |

The Board of Trustees reviews significant major gifts and, when appropriate, designates them to the endowment fund. Board designated amounts are invested in marketable securities with the net assets with donor restrictions (see Note 11) and are tracked separately.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

| | 2021 | 2020 |
|--|--------------|--------------|
| With expiring donor restrictions: | | |
| Balance of bargain land leases | \$ 129,249 | \$ 151,227 |
| Rood Family Pavilion - South Waterfront | 8,055 | 19,963 |
| East House construction and upgrades | 9,700 | 11,580 |
| Bend House | 60,841 | 68,456 |
| Bend Capital Campaign | 247,764 | - |
| Endowment earnings (Note 11) | 1,633,776 | 1,292,363 |
| Time-restrictions | 356,560 | 317,850 |
| Other purpose restrictions | 27,712 | 68,407 |
| Total with donor expiring restrictions | 2,473,657 | 1,929,846 |
| With donor perpetual restrictions | 1,708,152 | 1,708,152 |
| Total net assets with donor restrictions | \$ 4,181,809 | \$ 3,637,998 |

Net assets with perpetual donor restrictions consist of donations to the endowment fund. Investment earnings from the endowment support the work of RMHC (also see Note 11).

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II. ENDOWMENT

RMHC's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of Ronald McDonald House Charities has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts, including subsequent gifts, donated to the donor restricted endowment and (b) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

Interpretation of Relevant Law, Continued

In accordance with 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 Organization
- (2) The purposes of the Organization and the donor-restricted Organization
- (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 investment policies of the Organization

The Organization classifies gift amounts received from donors that are restricted to the endowment fund as net assets with donor restrictions in perpetuity. If the market value of a donor-restricted endowment fund exceeds the original gift as a result of investment earnings, then the excess amount is classified within net assets with donor restrictions, until all or a portion of the excess is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Funds designated by the Board of Trustees to function as an endowment are classified as net assets without donor restrictions.

If the market value of an endowment is less than the original gift amount, the valuation difference is reflected in the financial statements as a reduction of net assets without donor restrictions.

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II. ENDOWMENT, Continued

Return Objectives and Risk Parameters

RMHC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indexes while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3% plus inflation, annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

RMHC has a policy of appropriating for distribution of up to 4% of the fund balance. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at the average annual rate of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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II. ENDOWMENT, Continued

Endowment net asset composition by type of fund is as follows at December 31, 2021 and 2020:

| | Board | With Donor Restrictions | | Total |
|--------------------------|---------------------|-------------------------|---------------------|---------------------|
| | Designated | Expiring | Perpetual | |
| December 31, 2021 | | | | |
| Donor-restricted | \$ - | \$ 1,633,776 | \$ 1,708,152 | \$ 3,341,928 |
| Board-designated | <u>5,867,229</u> | <u>-</u> | <u>-</u> | <u>5,867,229</u> |
| Total Funds | <u>\$ 5,867,229</u> | <u>\$ 1,633,776</u> | <u>\$ 1,708,152</u> | <u>\$ 9,209,157</u> |
| December 31, 2020 | | | | |
| Donor-restricted | \$ - | \$ 1,292,363 | \$ 1,708,152 | \$ 3,000,515 |
| Board-designated | <u>5,306,209</u> | <u>-</u> | <u>-</u> | <u>5,306,209</u> |
| | <u>\$ 5,306,209</u> | <u>\$ 1,292,363</u> | <u>\$ 1,708,152</u> | <u>\$ 8,306,724</u> |

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

| | Board | With Donor Restrictions | | Total |
|--|---------------------|-------------------------|---------------------|---------------------|
| | Designated | Expiring | Perpetual | |
| Endowment net assets - | | | | |
| December 31, 2019 | \$ 4,921,171 | \$ 1,065,897 | \$ 1,708,152 | \$ 7,695,220 |
| Investment return: | | | | |
| Investment income, net of fees | 58,285 | 29,467 | - | 87,752 |
| Change in value of investments | 548,889 | 277,512 | - | 826,401 |
| Change in beneficial interest | - | 20,288 | - | 20,288 |
| Appropriation of endowment assets for expenditure | <u>(222,136)</u> | <u>(100,801)</u> | <u>-</u> | <u>(322,937)</u> |
| Endowment net assets - | | | | |
| December 31, 2020 | 5,306,209 | 1,292,363 | 1,708,152 | 8,306,724 |
| Investment return: | | | | |
| Investment income, net of fees | 74,948 | 37,893 | - | 112,841 |
| Change in value of investments | 486,072 | 245,752 | - | 731,824 |
| Change in beneficial interest | - | 57,768 | - | 57,768 |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets - | | | | |
| December 31, 2021 | <u>\$ 5,867,229</u> | <u>\$ 1,633,776</u> | <u>\$ 1,708,152</u> | <u>\$ 9,209,157</u> |

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12. RELATED PARTY TRANSACTIONS

The Organization pays 25% of net revenue from donation box collections (Note 16) at McDonald's restaurants to Global Ronald McDonald House Charities (Global). The total amount paid during the years ended December 31, 2021 and 2020 was \$145,486 and \$54,515 respectively. In addition, Global made contributions to the Organization in the amounts of \$65,000 in 2020. Additionally, the Organization receives in-kind space from OHSU and PeaceHealth where board members are employed (Note 1).

13. LEASE COMMITMENTS

The Organization leases equipment under various non-cancelable lease agreements which expire through 2024. Future minimum lease payments are as follows:

| | |
|-------------------------------|------------------|
| Year ending December 31, 2022 | \$ 18,600 |
| 2023 | 15,400 |
| 2024 | <u>3,200</u> |
| Total | <u>\$ 37,200</u> |

14. CONCENTRATIONS OF CREDIT RISK

The Organization operates three residences in Oregon and receives a majority of its funding through fundraising initiatives in this geographic area. If fundraising activities were discontinued or compromised, it could have a significant adverse effect on the Organization.

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$1,375,400 and \$1,554,600 as of December 31, 2021 and 2020, respectively.

Investments, including short-term investments, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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15. DONATION BOX COLLECTIONS

The Organization provides donation boxes which are placed in local McDonald's restaurants. Beginning in 2019, Global began collections and remitting funds net of any fees to the Organization (Note 12). For the years ended December 31, 2021 and 2020, donation box collections were \$98,265 and \$110,583, respectively.

16. RETIREMENT PLAN

The Organization has a SIMPLE IRA retirement plan for its employees. All employees earning at least \$5,000 per year are eligible to participate after completing one month of employment. Eligible employees may make pre-tax contributions up to an amount defined by law. The Organization matches employee contributions up to a maximum of 3% of salary. For the years ended December 31, 2021 and 2020, RMHC contributed approximately \$62,600 and \$54,800, respectively.

17. FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

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17. FAIR VALUE MEASUREMENTS, Continued

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

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------------|----------------|----------------|----------------|--------------|
| December 31, 2021 | | | | |
| Investments: | | | | |
| Money market funds | \$ 115,646 | \$ - | \$ - | \$ 115,646 |
| Fixed income: | | | | |
| Corporate obligations | - | 2,803,399 | - | 2,803,399 |
| Domestic mutual funds | 99,987 | - | - | 99,987 |
| International mutual funds | 84,728 | - | - | 84,728 |
| Equities and other: | | | | |
| Domestic mutual funds | 4,003,773 | - | - | 4,003,773 |
| International mutual funds | 1,262,286 | - | - | 1,262,286 |
| Real estate fund | 463,808 | - | - | 463,808 |
| Beneficial interest of assets held | - | - | 375,528 | 375,528 |
| December 31, 2020 | | | | |
| Investments: | | | | |
| Money market funds | \$ 156,531 | \$ - | \$ - | \$ 156,531 |
| Fixed income: | | | | |
| Corporate obligations | - | 2,187,452 | - | 2,187,452 |
| Domestic mutual funds | 201,251 | - | - | 201,251 |
| International mutual funds | 217,823 | - | - | 217,823 |
| Equities and other: | | | | |
| Domestic mutual funds | 3,644,485 | - | - | 3,644,485 |
| International mutual funds | 1,234,230 | - | - | 1,234,230 |
| Real estate fund | 347,192 | - | - | 347,192 |
| Beneficial interest of assets held | - | - | 317,760 | 317,760 |

The fair values for money market funds and mutual funds are determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

The fair value for corporate debt securities are based on pricing models, quoted prices of securities with similar characteristics, yield curves, and other relevant economic measures.

Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach.

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17. FAIR VALUE MEASUREMENTS, Continued

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

Beneficial interest in assets held by OCF as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------|-------------------|-------------------|
| Beginning balance | \$ 317,760 | \$ 297,472 |
| Change in value | <u>57,768</u> | <u>20,288</u> |
| Ending balance | <u>\$ 375,528</u> | <u>\$ 317,760</u> |

The change in value is included in investment income as with donor restrictions on the statements of activities.