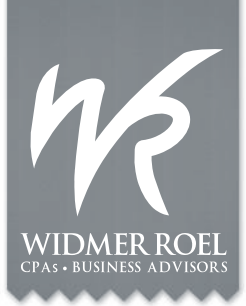


**RONALD MCDONALD HOUSE CHARITIES
OF THE RED RIVER VALLEY, INC.**

**FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

WITH INDEPENDENT AUDITOR'S REPORT



4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of the Red River Valley, Inc.
Fargo, North Dakota

Opinion

We have audited the financial statements of **Ronald McDonald House Charities of the Red River Valley, Inc.**, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Ronald McDonald House Charities of the Red River Valley, Inc.** as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Ronald McDonald House Charities of the Red River Valley, Inc.** 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 bases for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Red River Valley, Inc.**'s ability to continue as a going concern for one year after the date that the financial statements are 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 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 the Red River Valley, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Ronald McDonald House Charities of the Red River Valley, Inc.'s** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Fargo, North Dakota
May 10, 2022

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 478,983	\$ 341,813
Cash - restricted for capital campaign	108,339	75,268
Certificates of deposit	168,484	164,478
Current portion of contributions receivable, net	119,793	183,280
Prepaid expenses	<u>28,125</u>	<u>30,993</u>
Total current assets	<u>903,724</u>	<u>795,832</u>
PROPERTY AND EQUIPMENT, net	<u>4,094,385</u>	<u>4,244,511</u>
OTHER ASSETS		
Beneficial use of land, net	474,999	477,737
Contributions receivable, net	505,287	483,865
Investments, net	<u>1,457,490</u>	<u>1,323,229</u>
Total other assets	<u>2,437,776</u>	<u>2,284,831</u>
Total assets	\$ <u><u>7,435,885</u></u>	\$ <u><u>7,325,174</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,666	\$ 17,547
Accrued expenses	30,151	27,584
Deferred revenue	<u>16,023</u>	<u>6,070</u>
Total current liabilities	57,840	51,201
LONG-TERM DEBT	<u>335,141</u>	<u>433,518</u>
Total liabilities	<u>392,981</u>	<u>484,719</u>
NET ASSETS		
Without donor restrictions	5,334,484	5,120,333
With donor restrictions	<u>1,708,420</u>	<u>1,720,122</u>
Total net assets	<u>7,042,904</u>	<u>6,840,455</u>
Total liabilities and net assets	\$ <u><u>7,435,885</u></u>	\$ <u><u>7,325,174</u></u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Contributions	\$ 660,608	\$ -	\$ 660,608
Grants	56,600	-	56,600
Special event revenue	170,569	-	170,569
Less: direct benefit costs	<u>(37,889)</u>	-	<u>(37,889)</u>
Net revenue from special events	<u>132,680</u>	<u>-</u>	<u>132,680</u>
Residents room rent	80,347	-	80,347
Net investment return	138,940	-	138,940
Noncash contributions, net	26,952	-	26,952
Loss on disposal of assets	(1,301)	-	(1,301)
Net assets released from restriction	<u>11,702</u>	<u>(11,702)</u>	<u>-</u>
Total public support, revenues and reclassifications	<u>1,106,528</u>	<u>(11,702)</u>	<u>1,094,826</u>
Expenses			
Program services	677,160	-	677,160
Management and general	75,467	-	75,467
Fundraising	<u>139,750</u>	<u>-</u>	<u>139,750</u>
Total expenses	<u>892,377</u>	<u>-</u>	<u>892,377</u>
CHANGE IN NET ASSETS	214,151	(11,702)	202,449
NET ASSETS, BEGINNING OF YEAR	<u>5,120,333</u>	<u>1,720,122</u>	<u>6,840,455</u>
NET ASSETS, END OF YEAR	\$ <u>5,334,484</u>	\$ <u>1,708,420</u>	\$ <u>7,042,904</u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**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, REVENUES AND RECLASSIFICATIONS			
Contributions	\$ 441,422	\$ -	\$ 441,422
Grants	66,050	-	66,050
Special event revenue	186,346	-	186,346
Less: direct benefit costs	<u>(45,264)</u>	<u>-</u>	<u>(45,264)</u>
Net revenue from special events	<u>141,082</u>	<u>-</u>	<u>141,082</u>
Residents room rent	23,825	-	23,825
Net investment return	229,745	-	229,745
Noncash contributions, net	25,024	-	25,024
Gain on disposal of assets	(704)	-	(704)
Other income	75,100	-	75,100
Net assets released from restrictions	<u>175,581</u>	<u>(175,581)</u>	<u>-</u>
Total public support, revenues and reclassifications	<u>1,177,125</u>	<u>(175,581)</u>	<u>1,001,544</u>
Expenses			
Program services	635,352	-	635,352
Management and general	80,324	-	80,324
Fundraising	<u>131,581</u>	<u>-</u>	<u>131,581</u>
Total expenses	<u>847,257</u>	<u>-</u>	<u>847,257</u>
CHANGE IN NET ASSETS	329,868	(175,581)	154,287
NET ASSETS, BEGINNING OF YEAR	<u>4,790,465</u>	<u>1,895,703</u>	<u>6,686,168</u>
NET ASSETS, END OF YEAR	\$ <u><u>5,120,333</u></u>	\$ <u><u>1,720,122</u></u>	\$ <u><u>6,840,455</u></u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Direct Benefit Costs</u>	<u>Total</u>
Salaries and wages	\$ 247,179	\$ 18,243	\$ 87,439	\$ -	\$ 352,861
Payroll taxes	17,602	1,299	6,227	-	25,128
Health insurance	10,357	764	3,664	-	14,785
Pension	6,040	446	2,137	-	8,623
Accounting and audit fees	5,775	17,329	-	-	23,104
Bank charges	-	4,388	-	-	4,388
Conferences	927	68	328	-	1,323
Contract labor	61,595	-	-	-	61,595
Depreciation	144,951	11,274	4,832	-	161,057
Equipment lease	4,766	352	1,686	-	6,804
Fundraising	-	-	17,749	-	17,749
House expenses	98,599	-	-	-	98,599
In-kind rent	24,462	1,903	815	-	27,180
Interest expense	-	15,569	-	-	15,569
Meeting expenses	1,436	112	48	-	1,596
Miscellaneous	2,923	974	-	-	3,897
Newsletter	10,020	-	-	-	10,020
Office expenses	21,774	1,607	7,702	-	31,083
Other professional fees	1,001	-	-	-	1,001
Professional development	1,999	148	707	-	2,854
Promotional items	555	-	1,665	-	2,220
Special event expense	-	-	-	37,889	37,889
Telephone	12,414	916	4,392	-	17,722
Travel and entertainment	104	8	37	-	149
Van expenses	1,740	-	-	-	1,740
Volunteer programs	30	-	-	-	30
Workers compensation	911	67	322	-	1,300
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	677,160	75,467	139,750	37,889	930,266
Expenses included with revenue on the statement of activities:					
Cost of direct benefit to donors	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	(37,889)	(37,889)
Total expenses included in the expense section on the statement of activities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 677,160	\$ 75,467	\$ 139,750	\$ -	\$ 892,377

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Direct Benefit Costs</u>	<u>Total</u>
Salaries and wages	\$ 242,180	\$ 20,326	\$ 84,357	\$ -	\$ 346,863
Payroll taxes	16,782	1,408	5,846	-	24,036
Health insurance	9,344	784	3,255	-	13,383
Pension	5,893	495	2,053	-	8,441
Accounting and audit fees	4,897	14,691	-	-	19,588
Bank charges	-	5,947	-	-	5,947
Conferences	1,128	95	393	-	1,616
Contract labor	49,516	-	-	-	49,516
Depreciation	143,925	11,194	4,798	-	159,917
Equipment lease	4,364	366	1,520	-	6,250
Fundraising	-	-	15,550	-	15,550
House expenses	79,667	-	-	-	79,667
In-kind rent	24,462	1,903	815	-	27,180
Interest expense	-	19,803	-	-	19,803
Meeting expenses	212	16	7	-	235
Miscellaneous	1,601	534	-	-	2,135
Newsletter	11,356	-	-	-	11,356
Office expenses	18,342	1,539	6,389	-	26,270
Other professional fees	5,071	-	-	-	5,071
Professional development	1,772	149	617	-	2,538
Promotional items	506	-	1,519	-	2,025
Special event expense	-	-	-	45,264	45,264
Telephone	11,677	980	4,068	-	16,725
Travel and entertainment	16	1	6	-	23
Van expenses	1,528	-	-	-	1,528
Workers compensation	1,113	93	388	-	1,594
Total functional expenses	635,352	80,324	131,581	45,264	892,521
Expenses included with revenue on the statement of activities:					
Cost of direct benefit to donors	-	-	-	(45,264)	(45,264)
Total expenses included in the expense section on the statement of activities	\$ 635,352	\$ 80,324	\$ 131,581	\$ -	\$ 847,257

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 202,449	\$ 154,287
Adjustments to reconcile change in net assets to cash provided by operating activities		
(Gain)/loss on disposal of assets	1,301	705
(Gain)/loss on investments	(134,261)	(226,706)
Depreciation	161,057	159,917
Beneficial interest in charitable remainder trust	-	2,715
Beneficial use of land - amortization	2,738	2,605
Pledge discounts	7,065	(4,383)
Changes in assets and liabilities:		
Prepaid expenses	2,868	1,340
Accounts payable	(5,881)	5,844
Accrued expenses	2,567	10,472
Deferred revenue	<u>9,953</u>	<u>(13,481)</u>
Net cash provided by operating activities	<u>249,856</u>	<u>93,315</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of earnings into certificates of deposit	(4,006)	(1,360)
Purchase of property and equipment	<u>(12,232)</u>	<u>(2,898)</u>
Net cash used in investing activities	<u>(16,238)</u>	<u>(4,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for new building	35,000	206,300
Payments of long-term debt	<u>(98,377)</u>	<u>(207,745)</u>
Net cash used in financing activities	<u>(63,377)</u>	<u>(1,445)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	170,241	87,612
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	<u>417,081</u>	<u>329,469</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ <u><u>587,322</u></u>	\$ <u><u>417,081</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ <u><u>15,569</u></u>	\$ <u><u>19,803</u></u>

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Ronald McDonald House Charities of the Red River Valley, Inc. (the “Organization”) is a North Dakota nonprofit organization, incorporated on June 15, 1981. The Organization supports families whose children are receiving medical care in the Fargo-Moorhead area by providing a home away from home to keep families close to their children, and supporting programs that directly benefit the well-being of children. The Organization operates one Ronald McDonald House (House). Families are asked to pay a nominal donation per night if able, but no family is turned away for inability to pay. The Organization’s main sources of revenues include grants and contributions.

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 (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board-designated net assets are without donor restrictions and are reported as a part of the net assets without donor restriction class.

Net assets 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. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Concentrations of Risk

Contributions receivable are due primarily from individuals and businesses in the Red River Valley of North Dakota and Minnesota. Contributions are generally due for up to a five-year period. Due to this concentration of contributors, payment is contingent upon contributor ability and economic conditions in the Red River Valley.

Investments consist of domestic and international bonds and equities, which are subject to market risk.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash considered restricted by the Organization is for the purpose of future capital additions. Restricted cash is kept in a separate bank account. Cash deposits exceeded Federal Deposit Insurance Corporation limits by \$338,127 during the fiscal year ended December 31, 2021. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk in cash.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Certificates of Deposit

Certificates of deposit are held at financial institutions and approximate fair value due to the short maturity of the financial instruments.

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 their 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.

Beneficial Use of Land and Rent

Beneficial use of land is recorded at carrying value less any amortization to date. Related rent is recorded as in-kind rent and includes amortization of the beneficial use of land asset. Amortization of the beneficial use of land is included in the release from restriction.

Revenue Recognition

The Organization's primary source of revenue is from contributions. Due to contributions being both voluntary and nonreciprocal, they do not fall under ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The Organization has analyzed the provisions of Topic 606, including the five-step approach to evaluating contracts, and has concluded that no changes are necessary to conform with the new standard.

Contributions

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. 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. The Organization reports 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.

Special Event Revenue – Ticket Sales

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

Deferred Revenue

Income from sponsorships and ticket sales received in advance of future special events is deferred and recognized over the periods in which the income relates.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. The Organization reports property and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used. All expenditures for land, buildings, and equipment in excess of \$500 are capitalized; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 39 years.

Property and equipment held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed.

Investments

Investments are composed of money market funds, common stocks, and mutual funds. Investments are measured at fair value in the financial statements. Net realized and unrealized gains and losses and income are included in the statements of activities. Investment fees in the Organization's investment fund is charged from the change in market value.

Accounts Payable

Accounts payable includes payables in the normal course of business.

Contributed Materials and Services

Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of materials, facilities, equipment, and other non-monetary items, including purchases by the Organization at prices significantly less than fair value, are recorded at fair value when the value is reasonably determinable for the asset received. Net noncash donations for the years ended December 31, 2021 and 2020 were \$26,952 and \$25,024, respectively.

Income Taxes

The Organization is considered a publicly supported organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. This exempt status will continue in effect provided that the Organization does not change its purpose, character, or method of operation.

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.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$2,220 and \$2,025, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Use of Estimates

The preparation of financial statements in conformity with 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 amounts could differ from those estimates.

Functional Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include: depreciation, insurance, interest, maintenance and repairs, rent, and utilities, which are allocated on a square footage basis; meetings, education and training, office supplies, technology, and telephone, which are allocated based on full-time equivalents; and salaries and wages and employee benefits, which are allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance for the treatment of leases as Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

In September 2020, FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Additional Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind. Contributed nonfinancial assets will be reported by category within the financial statements, there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the report period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using the retrospective method.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization’s financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Current assets available for use		
Cash and cash equivalents without donor restrictions	\$ 478,983	\$ 341,813
Certificates of deposit	168,484	164,478
Endowment funds available for distribution	<u>55,565</u>	<u>49,716</u>
Total current assets available for use	703,032	556,007
Less: Current liabilities, excluding deferred revenues	<u>(41,817)</u>	<u>(45,131)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>661,215</u></u>	\$ <u><u>510,876</u></u>

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 various certificates of deposit. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of outstanding pledges at December 31:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 119,793	\$ 183,280
One to five years	<u>519,944</u>	<u>503,090</u>
Total	639,737	686,370
Unamortized discount	<u>(14,657)</u>	<u>(19,225)</u>
Net contributions receivable	\$ <u><u>625,080</u></u>	\$ <u><u>667,145</u></u>

The discount rate used to discount pledges receivable with due dates extending beyond one year was 1.31%.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 4 – INVESTMENTS

Investments consisted of the following at December 31:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market	\$ 7,857	\$ 7,857	\$ 7,853	\$ 7,853
Common stock	8,189	62,019	7,000	48,577
Mutual funds	1,043,453	1,387,614	1,043,453	1,266,799
	<u>\$ 1,059,499</u>	<u>\$ 1,457,490</u>	<u>\$ 1,058,306</u>	<u>\$ 1,323,229</u>

Investment earnings are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 107,838	\$ 56,304
Change in unrealized gains on investments	31,102	173,441
Net investment return	<u>\$ 138,940</u>	<u>\$ 229,745</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
House - Agassiz Crossing	\$ 4,419,738	\$ 4,419,738
Furniture, fixtures and equipment	280,529	271,186
	4,700,267	4,690,924
Accumulated depreciation	<u>(605,882)</u>	<u>(446,413)</u>
	<u>\$ 4,094,385</u>	<u>\$ 4,244,511</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$161,057 and \$159,917, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6 – BENEFICIAL USE OF LAND

In November 2017, the Organization entered into a lease agreement with Sanford Health (Sanford) whereby the Organization would lease from Sanford certain land owned by Sanford. The initial term of the lease is for a 49 year period that ends on October 31, 2066 and has the option to extend for another 49 years through October 31, 2115, with an aggregate annual base rent of \$1.00. An independent appraisal determined that the fair value of the space at the time of inception was \$510,000. The annual rental value was estimated at approximately \$27,180 per year. In connection with this lease agreement, the Organization discounted the value of the 49-year initial term of the lease using a discount rate of approximately 5% and recorded a restricted contribution in 2018 in the amount of \$510,000. The value remaining on the use of land as of December 31, 2021 and 2020 is \$474,999 and \$477,737, 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 \$27,180 was recorded in connection with this lease agreement. The related amortization of the recorded discount associated with the beneficial use of land asset was \$2,738 for the year ended December 31, 2021 and \$2,605 for the year ended December 31, 2020, and is included in net assets released from restriction on the Statements of Activities.

NOTE 7 – FAIR VALUE MEASUREMENT

The three levels of the fair value hierarchy in accordance with ASC 820 *Fair Value Measurements* are described below:

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

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

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

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stock - The fair value is based on quoted market prices reported on the active markets on which the individual securities are traded.

Money Market Funds and Mutual Funds - Valued at the net asset value (“NAV”) of shares by the Organization at year-end. Mutual Funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The methods described above may produce fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies are assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	2021		2020
	Level 1		Level 1
Money market fund	\$ 7,857	\$	7,853
Common stock	62,019		48,577
Mutual funds			
Core bonds	302,200		306,588
Small-cap value	98,951		86,292
Mid-cap growth	95,851		87,633
Large-cap growth	237,064		204,834
Large-cap value	255,667		194,088
Core international	359,460		349,057
Emerging markets	38,421		38,307
	<u>\$ 1,457,490</u>	\$	<u>1,323,229</u>

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of a note payable to Bell Bank with the ability to draw up to \$4,100,000, with interest of 3.75% on the first five years. Interest payments are due monthly through February 7, 2023. After February 7, 2023, principal balance outstanding will be amortized over 15 years with monthly principal and interest payments due until maturity February 7, 2028. On February 7, 2023, the interest rate will reset for the remaining five years of the loan term at the interest rate equal to the Five Year Fixed-Rate Advance Rate as published by the Federal Home Loan Bank of Des Moines, plus 1.65%. The current estimate of monthly principal and interest payments based on the balance outstanding at year end is \$2,578. The debt is secured by the mortgage on specific property. The balance on long-term debt was \$335,141 and \$433,518 as of December 31, 2021 and 2020, respectively.

Long-term debt is expected to mature during the years ending December 31:

2022	\$ -
2023	13,209
2024	16,530
2025	17,303
2026	18,113
Thereafter	<u>269,986</u>
	<u>\$ 335,141</u>

The Bell Bank note payable has certain covenants that require the Organization to furnish annual audited financial statements upon its completion but not later than 120 days after the end of each year.

Interest expense on the long-term debt as of December 31, 2021 and 2020, was \$15,569 and \$19,803, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Agassiz Crossing House – Funds are restricted for the building and furnishing of the Agassiz Crossing House. The Organization has a non-binding agreement for the lease of land where the new house was built. Construction was completed in May of 2018 with the remainder of furnishings being added during 2021.

Endowment – In March 1993, 10,000 shares of McDonald’s Corporation common stock, valued at \$500,000, were donated with the stipulation that the original value is placed in an endowment fund and the income is used for operations. Subsequent sales of some of the stock shares have diversified the endowment fund.

The earnings from the endowment fund are first to be used to maintain the fair market value of the endowment fund at the historical value of \$500,000. Any excess earnings are then to be used to fund operating expenses of the Ronald McDonald House.

Donor restricted net assets for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Subject to the Passage of Time or Specified Purpose		
Support for investment in capital assets	\$ 108,341	\$ 75,240
Contributions receivable with donor restrictions - capital assets	625,080	667,145
For periods after December 31		
Beneficial use of land	<u>474,999</u>	<u>477,737</u>
Total subject to passage of time or specified purpose	1,208,420	1,220,122
Endowment Funds		
Ronald McDonald House Operations:		
Original donor-restricted gift required to be maintained in perpetuity by donor	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restrictions	\$ <u>1,708,420</u>	\$ <u>1,720,122</u>

NOTE 10 – ENDOWMENT FUND

Interpretation of Relevant Law

The Organization’s endowment consists of an individual fund established by a donor to provide annual funding for supporting the operations of the Ronald McDonald House. The endowment also includes certain net assets without donor restrictions that are in the endowment. The endowment fund net assets without donor restrictions are the board designated endowment operating reserve fund as described in Note 12.

The Organization has determined the donor-restricted endowment fund is subject to the terms of its governing documents. In accordance with the agreement, except as provided in gifts or legacies for a specific purpose, the Organization shall have no right to invade principal from gifts or legacies for operating funds to implement the general purposes of the Organization.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

The Organization has interpreted 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects 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

The Organization has a policy that allows the investments to consist of deposit accounts, certificates of deposit, or any other financial instruments deemed appropriate by the Finance Committee and approved by the Board of Directors.

Spending Policy – Without Donor Restrictions

The Organization has a policy of allowing the appropriation for distribution up to 5% of its board-designated endowment fund's three year rolling average fair value at the end of each year with board approval, not to exceed \$60,000. If the fund balance falls below its original value of \$500,000 due to market fluctuation, the Organization ceases distributions until the fair value exceeds its original value. In 2021 and 2020, there were no distributions.

Investment income earned on the donor-restricted endowment is restricted for the use of on-going house operations and expenses.

The restriction is considered met when the House's total operating expenses exceed the total investment income earned. The earnings then become classified as without donor restrictions.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2019	\$ 596,523	\$ 500,000	\$ 1,096,523
Investment income	<u>226,706</u>	<u>-</u>	<u>226,706</u>
Endowment fund net assets, December 31, 2020	823,229	500,000	1,323,229
Investment income	<u>134,261</u>	<u>-</u>	<u>134,261</u>
Endowment fund net assets, December 31, 2021	\$ <u><u>957,490</u></u>	\$ <u><u>500,000</u></u>	\$ <u><u>1,457,490</u></u>

(Continued)

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Fund Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2021 and 2020.

NOTE 11 – 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 December 31:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished		
Ronald McDonald House, Agassiz Crossing	\$ 8,964	\$ 170,263
Time restrictions expired		
Charitable Remainder Trust	-	2,713
Beneficial use of land - discount amortization	<u>2,738</u>	<u>2,605</u>
Total restrictions released	<u>\$ 11,702</u>	<u>\$ 175,581</u>

NOTE 12 – NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

The Organization's governing Board has designated net assets without donor restrictions for the Board-Designated Endowment Operating Reserve. The balances at December 31, 2021 and 2020 were \$957,490 and \$823,229, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

RMHC Global collects all counter change and the 25% fee is taken out and then the remaining 75% is sent to the Organization. Amounts contributed to the Organization by RMHC Global in 2021 totaled \$56,204 and in 2020 totaled \$44,170.

NOTE 14 – EMPLOYEE RETIREMENT PLAN

Retirement benefits for the Organization's staff are available through participation in a SIMPLE IRA retirement plan. The plan is available for full-time employees on the first day of employment. The Organization matches 100% of employee contributions up to 3% of the participant's gross wages.

Employer contributions to the plan for the years ended December 31, 2021 and 2020 totaled \$8,623 and \$8,441, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE RED RIVER VALLEY, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 15 – COMMITMENTS

As of December 31, 2021, the Organization leases a van with a one-year lease which is generally renewed each year.

The Organization leases a printer with a five-year lease and monthly payments of \$481 plus any additional maintenance fees.

Furthermore, the Organization entered into a one dollar a year lease agreement that commenced on November 1, 2017, for 49 years with a one-time optional 49-year extension. The Organization evaluates the lease annually for the fair value of the lease as an in-kind contribution, see Note 6.

Rental expense for the years ended December 31, 2021 and 2020 was \$8,545 and \$7,779, respectively.

NOTE 16 – CONTINGENCIES

On October 14, 2020, the Organization's Paycheck Protection Program (PPP) loan was forgiven in its entirety. The Small Business Administration is entitled to audit the Organization's expenditures of PPP funds for a period of six years subsequent to loan forgiveness. Supporting documentation must be retained for that period.