



**RONALD MCDONALD HOUSE CHARITIES  
OF EASTERN WISCONSIN, INC.**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2021 and 2020



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**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Ronald McDonald House Charities of Eastern Wisconsin, Inc.

### **Opinion**

We have audited the accompanying financial statements of Ronald McDonald House Charities of Eastern Wisconsin, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Eastern Wisconsin, 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. 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 Eastern Wisconsin, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Eastern Wisconsin, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of Eastern Wisconsin, 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 Eastern Wisconsin, 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.

*Sikich LLP*

Brookfield, Wisconsin  
April 14, 2022

## **FINANCIAL STATEMENTS**

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**

**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 10,840,196	\$ 9,793,524
Investments	10,755,766	11,645,698
Pledges and contributions receivable, current	557,967	176,667
Prepaid expenses and other assets	18,978	37,425
Total current assets	<u>22,172,907</u>	<u>21,653,314</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building and improvements	15,202,829	15,147,613
Land and land improvements	786,847	786,847
Furnishings and equipment	2,428,074	2,417,260
Vehicles	71,850	71,850
Construction in progress	5,589,741	325,529
Total property and equipment	24,079,341	18,749,099
Less: Accumulated depreciation	<u>5,290,422</u>	<u>4,881,295</u>
Net property and equipment	<u>18,788,919</u>	<u>13,867,804</u>
<b>OTHER ASSETS</b>		
Pledges receivable, long term, net	577,031	3,493
Investments - board and donor restricted endowment funds	2,500,000	2,500,000
Reserve for self-funded unemployment	20,138	20,122
Total other assets	<u>3,097,169</u>	<u>2,523,615</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 44,058,995</u></u>	<u><u>\$ 38,044,733</u></u>

(This statement is continued on the following page.)

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**

STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,044,644	\$ 515,950
Deferred revenue	135,262	218,342
Refundable grant advance	239,200	239,200
Total liabilities	<u>1,419,106</u>	<u>973,492</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	24,163,533	20,645,371
Designated	14,654,636	14,866,226
Total without donor restrictions	38,818,169	35,511,597
With donor restrictions	<u>3,821,720</u>	<u>1,559,644</u>
Total net assets	<u>42,639,889</u>	<u>37,071,241</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 44,058,995</u>	<u>\$ 38,044,733</u>

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.****STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Public support:			
Fundraising events	\$ 1,910,919	\$ -	\$ 1,910,919
Less: Costs of direct benefits to donors	(248,517)	-	(248,517)
Net fundraising events	1,662,402	-	1,662,402
Contributions	2,919,144	2,902,618	5,821,762
Lodging donations and other	295,220	-	295,220
Net assets released from restrictions	745,123	(745,123)	-
Total revenue and support	5,621,889	2,157,495	7,779,384
<b>EXPENSES</b>			
Program services			
House operations	2,432,785	-	2,432,785
Family room	54,433	-	54,433
Total program services	2,487,218	-	2,487,218
Support services:			
Management and general	387,977	-	387,977
Fundraising	432,463	-	432,463
Total support services	820,440	-	820,440
Total expenses	3,307,658	-	3,307,658
CHANGE IN NET ASSETS FROM OPERATIONS	2,314,231	2,157,495	4,471,726
INVESTMENT INCOME, NET	992,341	104,581	1,096,922
CHANGE IN NET ASSETS	3,306,572	2,262,076	5,568,648
NET ASSETS, BEGINNING OF YEAR	35,511,597	1,559,644	37,071,241
NET ASSETS, END OF YEAR	\$ 38,818,169	\$ 3,821,720	\$ 42,639,889

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.****STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2020

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Public support:			
Fundraising events	\$ 1,678,501	\$ -	\$ 1,678,501
Less: Costs of direct benefits to donors	(196,123)	-	(196,123)
Net fundraising events	1,482,378	-	1,482,378
Contributions	2,449,236	219,817	2,669,053
Lodging donations and other	54,854	-	54,854
Net assets released from restrictions	271,969	(271,969)	-
Total support and revenue	4,258,437	(52,152)	4,206,285
<b>EXPENSES</b>			
Program services - house operations	2,445,860	-	2,445,860
Support services:			
Management and general	386,807	-	386,807
Fundraising	340,728	-	340,728
Total support services	727,535	-	727,535
Total expenses	3,173,395	-	3,173,395
CHANGE IN NET ASSETS FROM OPERATIONS	1,085,042	(52,152)	1,032,890
INVESTMENT INCOME, NET	1,242,542	135,470	1,378,012
CHANGE IN NET ASSETS	2,327,584	83,318	2,410,902
NET ASSETS, BEGINNING OF YEAR	33,184,013	1,476,326	34,660,339
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 35,511,597</b>	<b>\$ 1,559,644</b>	<b>\$ 37,071,241</b>

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See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021

	Program Services			Support Services			Total Expenses
	House Operations	Family Room	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries, taxes, other benefits	\$ 799,432	\$ 34,547	\$ 833,979	\$ 281,583	\$ 217,286	\$ 498,869	\$ 1,332,848
Utilities	118,612	-	118,612	6,243	-	6,243	124,855
House maintenance	74,780	-	74,780	738	-	738	75,518
Grounds maintenance	67,764	-	67,764	684	-	684	68,448
Janitorial & cleaning	190,080	-	190,080	1,920	-	1,920	192,000
Insurance	144,822	-	144,822	5,266	2,266	7,532	152,354
House supplies	388,523	19,323	407,846	43,169	-	43,169	451,015
Total house operating costs	1,784,013	53,870	1,837,883	339,603	219,552	559,155	2,397,038
Telephone	32,923	-	32,923	5,035	775	5,810	38,733
Postage	2,622	-	2,622	874	873	1,747	4,369
Office supplies	79,280	-	79,280	8,808	-	8,808	88,088
Total office expenses	114,825	-	114,825	14,717	1,648	16,365	131,190
Newsletter	14,256	-	14,256	-	3,564	3,564	17,820
Public relations	10,943	-	10,943	-	1,931	1,931	12,874
Stewardship	7,845	-	7,845	-	1,384	1,384	9,229
Volunteer expenses	16,144	-	16,144	850	-	850	16,994
Direct mail	-	-	-	-	173,845	173,845	173,845
Other fundraising supplies and expenses	-	-	-	-	28,905	28,905	28,905
Miscellaneous	46,013	-	46,013	28,370	1,634	30,004	76,017
Depreciation	438,746	563	439,309	4,437	-	4,437	443,746
Total other expenses	533,947	563	534,510	33,657	211,263	244,920	779,430
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,432,785</b>	<b>\$ 54,433</b>	<b>\$ 2,487,218</b>	<b>\$ 387,977</b>	<b>\$ 432,463</b>	<b>\$ 820,440</b>	<b>3,307,658</b>
Cost of direct benefit to donors - meals and entertainment							87,684
Cost of direct benefit to donors - other fundraising event costs							160,833
<b>TOTAL EXPENSES</b>							<b>\$ 3,556,175</b>

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2020

	<b>Program Services</b>	<b>Support Services</b>			<b>Total Expenses</b>
	<b>House Operations</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Support Services</b>	
Salaries, taxes, other benefits	\$ 819,823	\$ 289,315	\$ 156,172	\$ 445,487	\$ 1,265,310
Utilities	116,395	6,126	-	6,126	122,521
House maintenance	124,443	1,247	-	1,247	125,690
Grounds maintenance	78,696	795	-	795	79,491
Janitorial & cleaning	201,087	2,031	-	2,031	203,118
Insurance	123,893	5,028	1,216	6,244	130,137
House supplies	377,422	41,936	-	41,936	419,358
Total house operating costs	<u>1,841,759</u>	<u>346,478</u>	<u>157,388</u>	<u>503,866</u>	<u>2,345,625</u>
Telephone	34,440	5,267	810	6,077	40,517
Postage	3,727	1,243	1,243	2,486	6,213
Office supplies	36,466	6,512	-	6,512	42,978
Total office expenses	<u>74,633</u>	<u>13,022</u>	<u>2,053</u>	<u>15,075</u>	<u>89,708</u>
Newsletter	15,142	-	3,785	3,785	18,927
Public relations	21,458	-	3,787	3,787	25,245
Stewardship	5,471	-	966	966	6,437
Volunteer expenses	9,134	481	-	481	9,615
Direct mail	-	-	156,776	156,776	156,776
Other fundraising supplies and expenses	-	-	15,457	15,457	15,457
Miscellaneous	42,304	22,422	516	22,938	65,242
Depreciation	435,959	4,404	-	4,404	440,363
Total other expenses	<u>529,468</u>	<u>27,307</u>	<u>181,287</u>	<u>208,594</u>	<u>738,062</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 2,445,860</u>	<u>\$ 386,807</u>	<u>\$ 340,728</u>	<u>\$ 727,535</u>	<u>3,173,395</u>
Cost of direct benefit to donors - meals and entertainment					43,965
Cost of direct benefit to donors - other fundraising event costs					152,158
<b>TOTAL EXPENSES</b>					<u>\$ 3,369,518</u>

See accompanying notes to financial statements.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,568,648	\$ 2,410,902
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Net realized (gain) on investments	(1,112,970)	(561,338)
Net unrealized loss (gain) on investments	213,157	(555,428)
Depreciation	443,746	440,363
Loss on disposal of property and equipment	19,807	13,476
Contributions restricted for long-term purposes	(2,737,158)	-
Decrease (increase) in:		
Pledges receivable	187,138	19,073
Prepaid expenses and other assets	18,447	(9,320)
Reserve for unemployment	(16)	(36)
Increase (decrease) in:		
Accounts payable and accrued expenses	(117,448)	162,943
Deferred sponsorship revenue	(83,080)	53,200
Refundable grant advance	-	239,200
	<u>2,400,271</u>	<u>2,213,035</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(4,738,526)	(394,788)
Purchase of investments	(2,159,348)	(6,387,804)
Proceeds from sale of investments	3,949,093	8,926,767
	<u>(2,948,781)</u>	<u>2,144,175</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long term	1,595,182	-
	<u>1,595,182</u>	<u>-</u>
Net cash provided (used) from financing activities		
	<u>1,046,672</u>	<u>4,357,210</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
	1,046,672	4,357,210
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,793,524	5,436,314
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 10,840,196</u>	<u>\$ 9,793,524</u>

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES</b>		
Property and equipment purchases included in accounts payable	\$ 646,142	\$ -
In-kind donation of fixed assets	\$ 264,677	\$ -
Proceeds from Paycheck Protection Program	\$ 239,200	\$ 239,200
Non-cash forgiveness of Paycheck Protection Program	\$ -	\$ 239,200

# RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

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### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

Ronald McDonald House Charities of Eastern Wisconsin, Inc. (the Organization) is a not-for-profit organization formed in 1983 to construct and operate the Ronald McDonald House (the House) in Milwaukee, Wisconsin. The House is a 70-room residential facility built to provide temporary housing for families of seriously ill children receiving treatment in Milwaukee area hospitals. The Organization provides rooms as well as family programs. The Organization relies solely on public support, various fund-raising activities and contributions to fund its activities.

Beginning around March 2020, the Covid-19 pandemic significantly changed the operations of the House. With added restrictions enacted to reduce the risk of virus spread, the House served fewer families, modified its meal and family programs, and reduced its number of active volunteers. The House continued to serve 1,009 families for a total of 10,544 nights during 2021 (unaudited).

In 2016, the Organization made a grant to Columbia St. Mary's Foundation, Inc. to support the Mobile Dental Clinic Program that provides dental services to Milwaukee area youth. In 2018, the Organization made an additional grant to fund operating costs as well as expand the Miles of Smiles Mobile Dental Clinic Program.

In summer of 2021, the Organization opened its first Ronald McDonald Family Room Program within the Ladish Co. Foundation Center, located at Rogers Behavioral Health Center's Oconomowoc campus. This 2,500 square foot Family Room offers a welcoming space where Rogers' patient families can find respite and hospitality. The Organization is responsible for staffing the Family Room with paid employees and volunteers, and has financial responsibilities for employee compensation and Family Room supplies. This Family Room Program is one of the first programs in the entire Ronald McDonald House Charities Global system to offer support exclusively to families with a pediatric patient receiving behavioral health care.

In 2021 the Organization began construction of an addition to its House. The construction includes the addition of 14 long-term guest family rooms, a new long-term family kitchen, indoor and outdoor play space, a community room, and additional office and storage space. The expansion is expected to be completed in Summer of 2022. A successful capital campaign along with funds from the Organization's reserves, will fund the expected \$14.5 million expansion cost.

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Method of Accounting

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

Net Assets Without Donor Restrictions:

Undesignated - Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations.

Designated - Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use.

Net Assets With Donor Restrictions:

Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those restrictions, or to be maintained in perpetuity by the Organization. Generally, the donors of the assets permit the Organization to use all or a part of the income earned on any related investments for general or specific purposes.

Measure of Operations

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right to return – are not recognized until the conditions on which they depend have been met.

Contributions are recognized as revenue when they are received or unconditionally pledged. Revenues are reported in net assets without donor restrictions, unless use of the related assets is limited by the donor-imposed restrictions. Donor-restricted contributions and grants whose restrictions are met within the same year as received are reflected in the change in net assets with donor restrictions. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as a refundable grant advance on the statements of financial position. There were no conditional contributions at December 31, 2021 and 2020.

Revenue from Contracts with Customers

*Sponsorship and Fundraising Event Revenue:* The portion of sponsorship revenue and ticket sales that relates to the commensurate value the sponsor and attendee receives in return is recognized when the related events are held and performance obligations are met.

*Significant Judgments:* There are no significant judgments involved in the recognition of revenue at a point in time based on the delivery of services.

*Contract Assets and Liabilities:* The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and deferred revenue (contract liabilities) on the statement of financial position. Contract liabilities are released as the performance obligation are met. There were no contract assets as of December 31, 2021, 2020 or 2019. The beginning and ending balances of liabilities consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract liabilities - deferred revenue	\$ 135,262	\$ 197,850	\$ 123,498

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Services and Assets

Donated services are recorded in the financial statements at their estimated fair market value on the date the services are rendered if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills. Donated assets are recorded in the financial statements as assets and revenue at their estimated fair market value on the date the assets are contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns. No amounts have been reflected in the financial statements for these services because they do not meet the criteria for financial statement recognition.

During 2021 and 2020, the Organization received approximately \$102,000 and \$78,000, respectively, in donated investments, as well as the following amounts for donated goods and services:

	<u>2021</u>		<u>2020</u>
Donated goods	\$ 384,148	\$	345,236
Donated services - construction	219,830		-
Donated services - laundry and carpet cleaning	80,000		78,924
Donated services - legal	-		4,160
Donated services - other	43,525		41,907
	<u>\$ 727,503</u>	\$	<u>470,227</u>

Donated goods and services are recorded in contributions on the statement of activities.

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts, securities and other instruments having an original maturity of three months or less to be equivalent to cash. The Organization also considers all certificates of deposit to be cash equivalents.

The Organization maintains its cash and cash equivalents balances in financial institutions, which at times may exceed federally insured limits. On December 31, 2021 and 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$9,650,000 and \$8,226,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Investments are stated at fair value, which is based on quoted market prices. Realized gains and losses and changes in unrealized gains and losses are included in net investment return on the Organization's statement of activities. Investment income is recorded net of external and direct internal expenses on the statements of activities.

Allowance for Uncollectible Pledges

Allowance is made for uncollectible pledges based upon management's judgment and analysis of the credit worthiness of the donors, past collection experience, and other relevant factors. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. However, actual write-offs may exceed the recorded allowance. Based upon management's evaluation, an allowance for uncollectible pledges of \$36,000 and \$0 was recorded as of December 31, 2021 and 2020, respectively.

Property and Equipment

Expenditures for the acquisitions of property and equipment are capitalized at cost. The fair value of donated property at the date of gift is similarly capitalized. It is the Organization's policy to capitalize all property and equipment expenditures greater than \$1,000. Certain expenditures less than \$1,000 may be capitalized at the discretion of management. The Organization classifies property and equipment as designated net assets without donor restrictions on the statements of financial position.

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10-60
Land improvements	60
Furnishings and equipment	5-10
Vehicles	5

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$443,746 and \$440,363, respectively.

During 2021 and 2020, the Organization disposed of property and equipment resulting in losses of approximately \$20,000 and \$13,000, respectively, and are included in miscellaneous expense on the statements of functional expenses.

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenue

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

Retirement Plan

The Organization's employees are covered by a self-directed SIMPLE IRA Plan. The total retirement contributions for the years ended December 31, 2021 and 2020 were \$29,580 and \$27,933, respectively. These contributions are at the discretion of the Board of Directors.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code as other than a private foundation and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code.

Functional Expense Classification

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

New Accounting Pronouncement

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new guidance requires contributed nonfinancial assets be presented as a separate line item in the statement of activities, a disclosure with the disaggregation of the amount of contributed nonfinancial assets by category as well as certain qualitative information. ASU No. 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently assessing the impact of this new standard.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. LIQUIDITY AND AVAILABILITY**

As of December 31, 2021 and 2020, the Organization had cash, investments and pledges receivable without donor restrictions of \$21,595,962 and \$21,557,824 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position dates, respectively. 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 dates. The current pledges receivable are subject to time restrictions but will be collected within one year.

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 short-term investments.

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board designated-endowment could be made available, if necessary.

**3. PLEDGES RECEIVABLE**

Pledges receivable consist primarily of pledges from private organizations, corporations, and individual donors. Net pledges receivable are summarized as follows:

	<u>2021</u>	<u>2020</u>
Total pledges receivable	\$ 1,295,145	\$ 181,667
Less: Discount on long term pledges	(124,147)	(1,507)
Less: Allowance for uncollectible pledges	(36,000)	-
<b>PRESENT VALUE OF NET PLEDGES RECEIVABLE</b>	<u>\$ 1,134,998</u>	<u>\$ 180,160</u>

Pledges are discounted using the risk adjusted rate of 5.0% as of December 31, 2021 and 2020.

The pledges receivable on December 31, 2021 are scheduled to be received as follows:

2022	\$ 557,967
2023	261,712
2024	196,155
2025	169,311
2026	110,000
<b>TOTAL PLEDGES RECEIVABLE</b>	<u>\$ 1,295,145</u>

#### **4. FAIR VALUE MEASUREMENTS**

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2021 and 2020.

##### Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2021 and 2020.

- *Mutual funds*: Valued at NAV of shares on the last trading day of the fiscal year.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**4. FAIR VALUE MEASUREMENTS (Continued)**

Recurring Measurements

Assets measured at fair value on a recurring basis as of December 31, are as follows:

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments, at fair value				
Mutual funds	\$ 13,255,766	\$ -	\$ -	\$ 13,255,766
Total investments, at fair value	<u>\$ 13,255,766</u>	<u>\$ -</u>	<u>\$ -</u>	13,255,766
Less: Board and donor restricted endowment funds (see Note 8)				<u>(2,500,000)</u>
INVESTMENTS NET OF ENDOWMENT FUNDS				<u>\$ 10,755,766</u>

  

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments, at fair value				
Mutual funds	\$ 14,145,698	\$ -	\$ -	\$ 14,145,698
Total investments, at fair value	<u>\$ 14,145,698</u>	<u>\$ -</u>	<u>\$ -</u>	14,145,698
Less: Board and donor restricted endowment funds (see Note 8)				<u>(2,500,000)</u>
INVESTMENTS NET OF ENDOWMENT FUNDS				<u>\$ 11,645,698</u>

Investment income is summarized as follows for the years ended December 31:

	<b>2021</b>	<b>2020</b>
Dividends	\$ 134,541	\$ 113,643
Interest	97,078	182,833
Net realized (losses) gains on investments	1,112,970	561,338
Changes in net unrealized gains on investments	(213,157)	555,428
Investment expenses	<u>(34,510)</u>	<u>(35,230)</u>
NET INVESTMENT INCOME	<u>\$ 1,096,922</u>	<u>\$ 1,378,012</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could be material in relation to amounts reported in the statements of financial position.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**5. NET ASSETS**

Without Donor Restrictions

The Organization's board of directors has chosen to place the following limitations on net assets without donor restrictions:

	<u>2021</u>	<u>2020</u>
Designated for endowment purposes	\$ 1,455,458	\$ 998,422
Designated for investment in property and equipment	13,199,178	13,867,804
Total board designated net assets	14,654,636	14,866,226
Undesignated	24,163,533	20,645,371
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ 38,818,169</b>	<b>\$ 35,511,597</b>

With Donor Restrictions

As of December 31, 2021 and 2020, net assets with donor restrictions were available for program expenses. The following is a summary of net assets with donor restrictions as of December 31:

	<u>2021</u>	<u>2020</u>
Purpose restriction:		
Artwork	\$ 1,135	\$ 1,186
Movie night	3,627	3,627
Miscellaneous	8,981	2,532
Playroom renovations	2,917	2,917
Van expenses	2,410	4,123
Meal program	10,088	12,819
Magic room	10,862	10,862
Family program items	-	20,000
Capital campaign - House expansion	2,737,158	-
Income earned on endowment funds	274,624	233,629
Perpetual restriction	769,918	1,267,949
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 3,821,720</b>	<b>\$ 1,559,644</b>

Net assets with donor restrictions that are perpetual consist of endowment funds, the annual income from which is expendable to support the operations of the Organization. As a result, such income is included in the accompanying statement of activities as restricted investment income (loss) until appropriated for expenditure.

**6. COMMITMENTS**

Unemployment Insurance

The Organization has elected with the State of Wisconsin to finance its unemployment benefit costs under the reimbursement method. This method requires the Organization to reimburse the State of Wisconsin for 100% of the unemployment benefits charged to the Organization's account. A money market account, included in reserve for unemployment in the statement of financial position, in the amount of \$20,138 and \$20,122 as of December 31, 2021 and 2020, respectively, was pledged as collateral for utilization of the reimbursement method.

Expansion

During 2021, the Organization began construction on an expansion to its existing House. The Organization entered into a construction agreement for a total cost of approximately \$12,200,000. As of December 31, 2021, the estimated costs and outstanding commitments of the agreement are approximately \$7,705,000.

**7. RELATED PARTY TRANSACTIONS**

Certain members of the Board serve in management roles of the corporations that provide services to the Organization, causing these corporations to be related parties. The Organization receives contributions from these corporations and members of the Board of Directors. During 2021 and 2020 approximately \$386,600 and \$257,000, respectively, was received from these related parties. Pledges receivable outstanding from related parties as of December 31, 2021 was \$102,100. There was no balance of related party transactions in pledges receivable for the year ended December 31, 2020.

Global Ronald McDonald House Charities (Global) receives proceeds from certain fundraising events and remits 75 percent of the net proceeds to the Organization. The net amount received from Global totaled approximately \$305,000 and \$400,000 for the years ended December 31, 2021 and 2020, respectively, of which approximately \$48,000 and \$56,000 is included in contribution receivable for the years ended December 31, 2021 and 2020, respectively.

## **8. ENDOWMENT FUNDS**

### Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds 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, (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, and (d) remaining donor-restricted amounts 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:

- The duration and preservation of the fund
- The purposes of the organization and the donor restricted endowment
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the organization

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donor or by law (underwater endowments). The Organization has interpreted UPMIFA to not permit spending from underwater endowments in accordance with prudent measures required under law. There were no amounts underwater as of December 31, 2021 and 2020.

### Board and Donor Restricted Endowment Funds

The Board had designated net assets in such an amount that when added to the donor-restricted endowment will total \$2,500,000, which will support the mission of the Organization. Of these funds, \$1,044,542 resulted from donor-restricted funds and \$1,455,458 resulted from an internal Board designation and is without donor restriction as of December 31, 2021. As of December 31, 2020, \$1,501,578 resulted from donor-restricted funds and \$998,422 resulted from an internal Board designation and is without donor restrictions. The total endowment assets are shown as other assets on the statement of financial position.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. ENDOWMENT FUNDS (Continued)**

Board and Donor Restricted Endowment Funds (Continued)

The composition of net assets by type of endowment fund as of December 31, are as follows:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ -	\$ 1,044,542	\$ 1,044,542
Board-designated endowment funds	1,455,458	-	1,455,458
<b>TOTAL ENDOWMENT FUNDS</b>	<b>\$ 1,455,458</b>	<b>\$ 1,044,542</b>	<b>\$ 2,500,000</b>

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ -	\$ 1,501,578	\$ 1,501,578
Board-designated endowment funds	998,422	-	998,422
<b>TOTAL ENDOWMENT FUNDS</b>	<b>\$ 998,422</b>	<b>\$ 1,501,578</b>	<b>\$ 2,500,000</b>

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

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 998,422	\$ 1,501,578	\$ 2,500,000
Investment return, net	172,231	104,581	276,812
Board designation to the endowment	284,805	-	284,805
Donor re-designation of restricted funds	-	(498,031)	(498,031)
Appropriation of endowment assets for expenditure	-	(63,586)	(63,586)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ 1,455,458</b>	<b>\$ 1,044,542</b>	<b>\$ 2,500,000</b>

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN WISCONSIN, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. ENDOWMENT FUNDS (Continued)**

Board and Donor Restricted Endowment Funds (Continued)

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,070,448	\$ 1,429,552	\$ 2,500,000
Investment return, net	131,635	135,470	267,105
Appropriation of endowment assets for expenditure	(203,661)	(63,444)	(267,105)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ 998,422</b>	<b>\$ 1,501,578</b>	<b>\$ 2,500,000</b>

Endowment Investment Policy

The Organization has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for the donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policy, which was approved by the Board of Directors, the investment portfolio shall be managed with the objective of attaining a comprehensive rate of return given the constraints of aforementioned safety and liquidity objectives. The investment portfolio is subject to periodic review to ensure this objective is met.

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 (investment income such as 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

The Organization has a policy of appropriating for distribution each year up to 5% of its endowment fund's average market value of the prior three years as of December 31. In establishing this policy, the Organization considered the long term expected return on investments, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

**9. REFUNDABLE GRANT ADVANCE**

The Paycheck Protection Program is a low-interest Small Business Administration (SBA) loan and generally covers two and a half months of payroll cost and may be forgiven entirely if the borrower limits salary reductions to no more than 25% and maintain staffing levels for 24 weeks after getting the loan. The Organization was approved for a loan on April 18, 2020 under this program in the amount of \$239,200, with an interest of 1% and maturity date of April 18, 2022. As of the report date, the Organization met the requirements to receive full forgiveness for the loan and recognized the loan forgiveness on the statement of activities within lodging income and other. Formal forgiveness was received from the SBA on March 12, 2021.

The Organization was approved for a second PPP loan on February 16, 2021 in the amount of \$239,200 with an interest rate of 1% and a maturity date of February 16, 2026. As of December 31, 2021, loan forgiveness requirements have not been met, however, Management anticipates meeting the requirements under the Program. The balance of the loan is included on the Statement of Financial Position as of December 31, 2021, as a refundable grant advance until requirements are substantially met and forgiveness is approved. Subsequent to year end the Organization received formal forgiveness from the SBA and recognized the loan forgiveness on February 15, 2022.

**10. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 14, 2022, the date on which the financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.