

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
AUDITED FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020



RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.
DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Ronald McDonald House Charities of Arkoma, Inc.
Springdale, Arkansas

Opinion

We have audited the accompanying financial statements of the Ronald McDonald House Charities of Arkoma, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 the Ronald McDonald House Charities of Arkoma, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ronald McDonald House Charities of Arkoma, 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 Arkoma, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, including omissions, 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 the Ronald McDonald House Charities of Arkoma, 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 the Ronald McDonald House Charities of Arkoma, 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.

Report on Summarized Comparative Information

We have previously audited Ronald McDonald House Charities of Arkoma, Inc.'s 2020 financial statements and we expressed an unmodified opinion audit opinion on those financial statements in our report dated July 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
July 28, 2022

FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2021	2020
Assets		
Cash and cash equivalents	\$ 122,157	\$ 1,052,511
Pledges receivable	434,985	963,736
Other receivables	33,706	23,525
Investments	1,119,264	1,117,392
Prepaid and other current assets	1,600	1,600
Ronald McDonald House at Mercy Ft. Smith	2,962,432	153,152
Ronald McDonald House at Washington Regional Medical Center	1,069,159	1,069,159
Ronald McDonald Family Room at Mercy Rogers	636,953	636,284
Ronald McDonald Family Room at Mercy Ft. Smith	427,516	427,516
Other equipment and furniture	19,493	19,493
Accumulated depreciation	(934,387)	(786,647)
Total Assets	\$ 5,892,878	\$ 4,677,721
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 40,011	\$ 6,150
Accrued payroll and related liabilities	47,440	39,862
Deferred revenue	1,750	-
Line of credit	911,461	-
Paycheck Protection Program loan	-	128,000
Total Liabilities	1,000,662	174,012
Net Assets		
Without donor restrictions	3,913,238	2,322,100
With donor restrictions	978,978	2,181,609
Total Net Assets	4,892,216	4,503,709
Total Liabilities and Net Assets	\$ 5,892,878	\$ 4,677,721

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenues and Other Support				
Contributions and grants	\$ 854,616	\$ 409,684	\$ 1,264,300	\$ 2,059,713
Proceeds of auctions and fundraising events, excluding contributions	284,761	226,877	511,638	284,408
In-kind contributions	524,641	-	524,641	412,292
Paycheck Protection Program loan forgiveness	128,946	-	128,946	-
Interest and dividend income, net of fees	12,713	-	12,713	19,003
Realized gains/(loss) on investments	175,106	-	175,106	15,704
Unrealized gains/(loss) on investments	(60,947)	-	(60,947)	34,470
Other income	531	-	531	197
Net assets released from restrictions	1,839,192	(1,839,192)	-	-
Total Revenues and Other Support	3,759,559	(1,202,631)	2,556,928	2,825,787
Expenses				
Program Services	1,399,571	-	1,399,571	1,185,020
Management and General	142,179	-	142,179	112,298
Fundraising	626,671	-	626,671	418,488
Total Expenses	2,168,421	-	2,168,421	1,715,806
Change in Net Assets	1,591,138	(1,202,631)	388,507	1,109,981
Net Assets, Beginning of Year	2,322,100	2,181,609	4,503,709	3,393,728
Net Assets, End of Year	\$ 3,913,238	\$ 978,978	\$ 4,892,216	\$ 4,503,709

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program	Management & General	Fund- raising	Total 2021	Total 2020
Expenses					
Advertising and promotions	\$ 11,760	\$ 519	\$ 21,038	\$ 33,317	\$ 35,624
Automobile mileage	7,710	680	3,882	12,272	10,217
Bank and credit card fees	1,222	1,484	13,905	16,611	8,167
Board expenses	-	680	-	680	128
Care mobile support	85,623	-	-	85,623	80,000
Depreciation	147,164	576	-	147,740	130,896
Dues & subscriptions	5,808	4,458	7,167	17,433	7,217
Employee benefits	20,102	3,072	9,074	32,248	30,165
Employee training and seminars	4,807	718	3,454	8,979	4,668
Events	8,334	-	158,254	166,588	73,565
Gifts	8,179	1,756	3,834	13,769	9,403
In-kind expense	354,031	-	83,936	437,967	344,832
Insurance	7,827	6,517	7,079	21,423	19,677
Interest expense	6,998	-	-	6,998	-
Marketing	-	-	59,539	59,539	31,731
Other expenses	3,084	1,517	17	4,618	3,524
Payroll Taxes	36,439	7,897	14,539	58,875	52,043
Postage and delivery	887	14	4,755	5,656	4,566
Printing and reproduction	1,900	169	2,010	4,079	7,045
Professional fees	2,799	22,887	1,275	26,961	35,096
Rent	17,183	9,518	9,518	36,219	29,881
Repairs and maintenance	4,105	301	394	4,800	5,865
Salaries and wages	507,203	74,048	192,595	773,846	661,837
Share a meal expense	81,794	-	22,051	103,845	80,993
Small furniture purchases	51,350	400	180	51,930	-
Supplies	6,550	922	1,377	8,849	20,546
Technology	7,802	1,482	1,302	10,586	14,442
Travel	1,520	37	1,692	3,249	2,253
Utilities	7,390	2,527	3,804	13,721	11,425
Total Expenses	\$ 1,399,571	\$ 142,179	\$ 626,671	\$ 2,168,421	\$ 1,715,806

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 388,507	\$ 1,109,981
Noncash items:		
Depreciation	147,740	130,896
Unrealized (gains)/losses on investments	60,947	(34,470)
Realized (gains)/losses on investments	(175,106)	(15,704)
Paycheck Protection Program Loan forgiveness	(128,000)	-
Changes in:		
(Increase) decrease in pledges receivable	(10,181)	18,475
(Increase) decrease in pledges receivable	528,751	(943,736)
Increase (decrease) in accounts payable	33,861	(3,343)
Increase (decrease) in accrued payroll and related liabilities	7,578	6,378
Increase (decrease) in deferred revenue	1,750	(1,500)
Net Cash Provided By Operating Activities	855,847	266,977
Cash Flows From Investing Activities		
Acquisition of fixed assets	(2,809,949)	(156,077)
Investment distribution	725,000	1,145,000
Purchase and reinvestment of investment earnings	(612,713)	(384,278)
Net Cash Provided (Used) By Investing Activities	(2,697,662)	604,645
Cash Flows From Financing Activities		
Borrowings on the line of credit	1,068,050	-
Payments on the line of credit	(156,589)	-
Proceeds from paycheck protection program	-	128,000
Net Cash Provided By Financing Activities	911,461	128,000
Net Increase (Decrease) In Cash and Cash Equivalents	(930,354)	999,622
Cash and Cash Equivalents, Beginning of Year	1,052,511	52,889
Cash and Cash Equivalents, End of Year	\$ 122,157	\$ 1,052,511
Supplemental Cash Flow Information		
Cash paid for interest	\$ 6,998	\$ -

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Nature of Operations

Ronald McDonald House Charities of Arkoma, Inc. (RMHCA or the Organization) was organized on April 2, 1999, as a nonprofit, charitable corporation to maintain and operate one or more facilities in Arkansas and/or Oklahoma to provide temporary housing for seriously ill children and their families while the children are receiving treatment at a nearby hospital. RHMCA maintains and operates the following, at no cost to families:

- Ronald McDonald Family Room located inside Mercy Hospital in Fort Smith, Arkansas. This 3,200 square foot family room opened in 2010 and has four overnight sleep rooms.
- Ronald McDonald Family Room located in Mercy Hospital Northwest Arkansas in Rogers, Arkansas. This 3,600 square foot family room opened in 2013 and has four overnight sleep rooms.
- Ronald McDonald House located in Washington Regional Women and Infant Center in Fayetteville, Arkansas. This 6,200 square foot house opened in 2016 and has six bedrooms.
- Ronald McDonald House next to Mercy Hospital in Fort Smith, Arkansas. This 8,500 square foot house opened in 2021 and has eleven bedrooms.
- Ronald McDonald Care Mobile serving Northwest Arkansas in school-based settings. This mobile healthcare unit has been in operation since 2010 and focuses solely on oral healthcare for children.

RMHCA is an affiliate of Ronald McDonald House Charities, Inc. (RMHC–Global), an Illinois not for profit corporation, and a licensee of McDonald’s Corporation with respect to the use of the name “Ronald McDonald House Charities” and other trademarks, names, and copyrights.

The Organization's primary source of revenue is from donations and grants from individuals and other organizations. The Organization also derives revenue from its annual fundraising events including the Red Shoe Soiree, Red Shoe Shindig and golf tournament.

1. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

b. Prior-year Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended December 31, 2020 from which the summarized information was derived.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

b. Prior-year Comparative Information (continued)

In addition, certain 2020 amounts have been reclassified in order to conform with the 2021 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications. Net assets and changes in net assets are unchanged due to these reclassifications.

c. Financial Statement Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - these net assets result from contributions or grant awards of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires either with the passage of time or by action of the Organization.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

d. Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

e. Pledges Receivable

Pledges, or promises to give, are recognized at fair market value as revenues in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional pledges are recognized when the conditions on which they depend are met. Promises to give are stated at the amounts the Organization expects to receive.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

e. Pledges Receivable (continued)

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged to management and general expense. Subsequent recoveries of amounts previously written off are recognized as revenues. Management believes that all receivable balances are collectible at December 31, 2021.

f. Other Receivables

Other accounts receivable consist of amounts for Ronald McDonald Global Charities and mission partner fundraising efforts; and donations, sponsorships or ticket sales from the Organization's fundraising events or programs such as Red Shoe Shindig, Red Shoe Soiree Share a Meal or Adopt a Pantry. Other accounts receivables are stated at the amount that management expects to collect. Management believes that balances are collectible at December 31, 2021.

g. Investments

Investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or market value. Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in net assets without donor restrictions. Other investment income, gains and losses are reflected in the statements of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

h. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

i. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

j. Fixed Assets and Depreciation

The Organization records purchases of property and equipment at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost and related accumulated depreciation of retired or disposed assets are removed from the accounts, and any resulting gain or loss is recognized in the statement of activities. Expenditures for maintenance, repairs and renewals or relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Equipment and furniture	3 - 7
Ronald McDonald Houses and Family Rooms	15 - 27.5

It is the Organization's policy to capitalize all asset purchases greater than \$500 while expensing all asset purchases less than \$500.

k. Compensated Absences

Employees earn paid time off in varying amounts based upon length of service with the Organization. Based upon their anniversary date of hire, employees cannot carryforward unused hours from year to year. Upon termination from the Organization, employees are paid their unused earned PTO. The Organization had \$22,472 and \$11,749 accrued for compensated absences at December 31, 2021 and 2020, respectively.

l. Deferred Revenue

Deferred revenue consists of sponsorships for future events. The amounts will be recognized as revenue when earned, or when the events are held.

m. Revenue Recognition

Conditional contributions and grants are those that contain a barrier that must be overcome before the Organization is entitled to the assets transferred and a right of return of assets transferred or a right of release of the donor's obligation to transfer assets exists. Conditional contribution and grant revenue is recognized when all barriers have been overcome. All other contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

n. Donated Services

According to accounting principles generally accepted in the United States of America, contributed services should be recognized in the financial statements if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization receives a significant amount of donated services in connection with its program and management and general activities. Those services do not meet the criteria for recognition and, accordingly, are not reflected in the financial statements.

o. Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services. Expenses were allocated using a variety of methods including time and usage estimates.

p. Advertising and Promotions

The Organization follows the policy of charging advertising and promotions to expense as incurred.

q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

2. Federal Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

2. Federal Income Tax (continued)

Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows.

3. Concentration of Credit Risk

a. Bank Deposits

The Organization maintains its operating bank accounts in two local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Organization's cash balances may, at times, exceed these insured limits. At December 31, 2021, all of the Organization's deposits were insured. At December 31, 2020, the Organization had uninsured deposits of \$802,511. The Organization does not believe there is any significant risk associated with the concentrations of credit nor has the Organization experienced any losses in such accounts.

b. Investments

The Organization also maintains an investment account with a local financial institution. The balances are insured by the Securities Investors Protection Corporation (SIPC) up to \$500,000 per customer, including up to \$250,000 for cash. The SIPC insurance does not protect against market losses on investments. At December 31, 2021 and 2020, the Organization had \$1,119,264 and \$1,117,392, respectively, in these accounts.

c. Revenues and Support

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. A significant portion of the Organization's revenues and support are received from donors located within the same geographic region. In addition, one donor provided 25% of total revenues and support during the year ended December 31, 2020.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

4. Pledges Receivable

In December 2019, the Organization started a capital campaign for the new Ronald McDonald House in Fort Smith. The new house was completed and opened in 2021 at a cost of approximately \$3 million. The Organization raised approximately \$410,000 and \$1,132,000 during the years ended December 31, 2021 and 2020, respectively, for the new facility.

Estimated collections on pledges receivable are as follows:

As of December 31,	2021	2020
Less than one year	\$ 240,118	\$ 907,247
One to five years	174,867	36,489
More than 5 years	20,000	20,000
Total pledges receivable	\$ 434,985	\$ 963,736

The \$20,000 pledge receivable due in more than five years is a donor bequest, and the actual receivable date is unknown.

Total pledges receivable are recorded at the approximate net present value of future cash flows.

5. Investments

Investments are held for an indefinite period, classified as available-for-sale and recorded at fair market value. Any increase or decrease in value from year to year is treated as a net unrealized gain or loss and recorded as an unrealized gain or loss from investments in the statement of activities. The Organization's investments consist of the following:

As of December 31, 2021	Cost	Market
Cash and equivalents	\$ 43,606	\$ 44,777
Fixed income	372,153	370,422
Equities and equity funds	608,640	686,431
Other	14,021	17,634
Total	\$ 1,038,420	\$ 1,119,264

As of December 31, 2020	Cost	Market
Cash and equivalents	\$ 24,794	\$ 24,794
Fixed income	385,481	396,771
Equities and equity funds	550,282	680,709
Other	15,535	15,118
Total	\$ 976,092	\$ 1,117,392

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

5. Investments (continued)

Investment management fees are reflected on the statement of activities netted with investment interest and dividends. Management fees for the years ended December 31, 2021 and 2020 totaled \$12,407 and \$15,444, respectively.

The Organization received stock donations totaling \$59,070 during the year ended December 31, 2021.

6. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at December 31, 2021.

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 370,422	\$ -	\$ -	\$ 370,422
Equities and equity funds	686,431	-	-	686,431
Other	17,634	-	-	17,634
Total	\$ 1,074,487	\$ -	\$ -	\$ 1,074,487

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

7. Property and Equipment

Activity of capital assets consists of the following:

As Of	January 1, 2021	Additions / Transfers	Retirements / Transfers	December 31, 2021
RMHC House, Mercy - Fort Smith	\$ -	\$ 2,962,432	\$ -	\$ 2,962,432
RMHC House, Wash. Region- Fay.	1,069,159	-	-	1,069,159
RMHC Family Rm., Mercy - Rogers	636,284	669	-	636,953
RMHC Family Rm., Mercy - Fort Smith	427,516	-	-	427,516
RMHC Office	19,493	-	-	19,493
Construction in progress	153,152	2,715,417	2,868,569	-
Total	\$ 2,305,604	\$ 5,678,518	\$ 2,868,569	\$ 5,115,553

In 2021, the Organization completed construction of a new 8,500 square foot Ronald McDonald House in Fort Smith, Arkansas. The Organization raised approximately \$2,680,000 in donations for the cost of construction.

As Of	January 1, 2020	Additions / Transfers	Retirements / Transfers	December 31, 2020
RMHC House, Wash. Region- Fay.	1,067,845	1,314	-	1,069,159
RMHC Family Rm., Mercy - Rogers	636,284	-	-	636,284
RMHC Family Rm., Mercy - Fort Smith	424,314	3,202	-	427,516
RMHC Office	18,519	974	-	19,493
Construction in progress	2,565	150,587	-	153,152
Total	\$ 2,149,527	\$ 156,077	\$ -	\$ 2,305,604

8. Line of Credit

The Organization has an unsecured line of credit agreement with a local bank that allows for borrowings up to \$1,200,000. The interest rate is variable, based on the Wall Street Journal Prime rate and was 3.25% at December 31, 2021. The agreement calls for monthly payments of accrued interest with the entire unpaid principal balance due upon maturity on August 4, 2023. The balance outstanding on the line of credit was \$911,461 at December 31, 2021.

9. Paycheck Protection Loan / Forgiveness

On April 15, 2020, the Organization received a loan of \$128,000 from the Paycheck Protection Program (PPP) under provisions of the CARES Act, which was enacted March 27, 2020. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. On January 6, 2021, the Organization was granted 100% loan forgiveness by the Small Business Administration. The Organization recognized PPP loan forgiveness revenue of \$128,946 during the year ended December 31, 2021 which included the loan principal plus accrued interest of \$946.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

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10. Net Assets with Donor Restrictions

Net assets were restricted for the following purposes:

As of December 31,	2021	2020
Care Mobile expenses	\$ -	\$ 511,226
Fort Smith Ronald McDonald House construction and line of credit payoff	754,198	1,482,313
Fort Smith House and Family Room operations	151,185	44,713
First Year Impact grant for NICU families	73,595	82,394
COVID Relief	-	60,963
Total	\$ 978,978	\$ 2,181,609

11. In-Kind

The Organization received in-kind donations for the following:

For the Year Ended December 31,	2021	2020
Food received for Share a Meal program	\$ 86,673	\$ 67,461
Fundraising auction items and supplies	105,988	109,220
Rent expense	277,600	188,000
Program supplies	54,380	47,611
Total	\$ 524,641	\$ 412,292

12. Leases

RMHCA has agreements with St. Edward Mercy Health System, Fort Smith, AR, for approximately 3,200 square feet of space and Mercy Northwest Arkansas, Rogers, AR, for approximately 3,600 square feet of space for Ronald McDonald Family Rooms. The remodeled facilities has a net book value of \$582,652 as of December 31, 2021. The agreements expired in 2018 and 2016, respectively, but automatically renew for one year increments and can be terminated by either party upon 90 days written notice. The agreements do not provide for rent. The respective hospitals are required to provide utilities, security and housekeeping. RMHCA is required to maintain, manage, and staff the facilities, as well as qualify users, and provide certain insurance coverage.

RMHCA has a fifteen year agreement with Washington Regional Medical Center for the Ronald McDonald House Charities House to provide families of ill children with facilities to live while their children undergo medical treatment. RMHCA provided the buildout for the space and is responsible for the staffing for the unit. The approximately 6,200 square feet remodeled facilities has a net book value of \$643,423 as of December 31, 2021. RMHCA is not responsible for the rent, utilities and upkeep of the space.

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NOTES TO FINANCIAL STATEMENTS

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12. Leases (continued)

RMHCA has a thirty year agreement with Mercy Hospital Fort Smith for the Ronald McDonald House Charities House to provide families of ill children with facilities to live while their children undergo medical treatment. Mercy Hospital Fort Smith will lease certain real estate to RMHCA and RMHCA is responsible for the demolition of existing improvements, construction of new improvements, interior design, furniture and fixtures, necessary supplies and printed materials in the designated space on the premises owned by Mercy Hospital Fort Smith. Mercy Hospital Fort Smith will provide, free of charge, the space necessary to construct, establish and operate a Ronald McDonald House, as well as provide utilities and computer/internet and local telephone services, and other amenities such as security and housekeeping. RMHCA is required to maintain, manage, and staff the facility, as well as qualify users, and provide certain insurance coverage. The net book value of the facilities, completed in 2021, is \$2,887,376 at December 31, 2021.

RMHCA leases office space in Springdale under a lease that expires in April 2027. Rental expense under this lease was \$21,504 and \$19,392 during the years ended December 31, 2021 and 2020, respectively.

RMHCA also leases office equipment under an operating lease that expires on February 10, 2025. Rental expense for office equipment totaled \$5,693 and \$3,000 for the years ended December 31, 2021 and 2020, respectively.

Future minimum annual rental commitments under the operating leases at December 31, 2021 are as follows:

Year ending December 31,	Office	Equipment	Total
2022	\$ 22,598	\$ 5,697	\$ 28,295
2023	22,365	5,697	28,062
2024	23,310	5,697	29,007
2025	24,255	949	25,204
2026	25,200	-	25,200
thereafter	8,505	-	8,505
Total	\$ 126,233	\$ 18,040	\$ 144,273

13. Employee Benefit Plan

RMHCA has a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code. The plan is available to all full-time employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. RMHCA is required to make matching contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation. For the years ended December 31, 2021 and 2020, RMHCA has provided for matching contributions of \$9,190 and \$8,009, respectively.

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NOTES TO FINANCIAL STATEMENTS

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14. Related Party Transactions

The Organization receives funds from Ronald McDonald House Charities (Global) and mission partners for fundraising efforts including donation and canister box collections, customer purchase round-up (to the nearest dollar), penny per happy meal and happy meal displays, and penny per pound french fry sales. Global collects the funds and remits to the Organization, sometimes net a collection fee. Revenues recognized by the Organization during the years ended December 31, 2021 and 2020 were \$171,807 and \$39,169, respectively. The Organization has a receivable balance from Global of \$32,735 at December 31, 2021.

RMHCA is party to a Support Agreement whereby it is committed to contribute to Arkansas Children's Hospital (ACH) 20% of the operating cost of a Care Mobile unit which is licensed to ACH by RMHC-Global. The Care Mobile unit is a mobile dental facility for children and is operated by ACH in RMHCA's service area. The support agreement may be terminated by RMHCA only with the agreement of RMHC-Global. However, the support agreement will also terminate upon the termination of the license agreement between ACH and RMHC-Global. In addition, ACH or RMHC-Global may terminate the license agreement with thirty days written notice. Contributions under this agreement amounting to \$85,623 and \$80,000 have been included in the statement of activities for the years ended December 31, 2021 and 2020, respectively.

15. Liquidity and Availability of Financial Assets

The Organization manages liquidity and reserves by operating within a prudent range of financial responsibility, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

As of December 31,	2021	2020
Cash and cash equivalents	\$ 122,157	\$ 1,052,511
Pledges receivable	434,985	963,736
Other receivables	33,706	23,525
Investments	1,119,264	1,117,392
Total financial assets available	1,710,112	3,157,164
Contractual or donor imposed restrictions:		
Restricted for Care Mobile expenses	-	(511,226)
Restricted for Fort Smith Ronald McDonald House construction and line of credit payoff	(754,198)	(1,482,313)
Restricted grant funds for NICU families	(73,595)	(82,394)
Restricted for COVID relief	-	(60,963)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 882,319	\$ 1,020,268

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

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16. COVID

The Coronavirus Disease 2019 (COVID), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations everywhere.

The Organization remained open throughout the pandemic continuing to help families in need. Due to safety concerns, the Organization originally could not let new families stay in the Family Rooms or Houses overnight. The Family Rooms and Houses began re-opening in phases and with limitations during 2021 and to date are fully operational. The Organization was able to continue Share a Meal and snack carts for families. Both the Red Shoe Shindig and Red Shoe Soiree fundraising events were held in-person in 2021 which had been held virtually in 2020. While the Organization did not have employee staffing issues, it lost a lot of good volunteers and finding replacements has been a struggle that continues to date. And even with a successful capital campaign, donations are still not at pre-pandemic levels. To help offset the loss of income, the Organization received a PPP loan of \$128,000 (see Note 9).

The Organization will continue to monitor its operations, liquidity, and capital resources to minimize the current and future impact of this unprecedented situation.

17. Subsequent Events

The Organization has evaluated events and transactions for subsequent events that would impact the statements for the year ended December 31, 2021 through July 28, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.