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Ronald McDonald House Charities® of  
Chicagoland & Northwest Indiana

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**Financial Report**  
**December 31, 2020**

# **Ronald McDonald House Charities® of Chicagoland & Northwest Indiana**

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## Independent Auditor's Report

To the Board of Directors  
Ronald McDonald House Charities® of  
Chicagoland & Northwest Indiana

We have audited the accompanying financial statements of Ronald McDonald House Charities® of Chicagoland & Northwest Indiana (RMHC-CNI or the "Organization"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities® of Chicagoland & Northwest Indiana as of December 31, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 2 to the financial statements, uncertainties exist related to the implications of the COVID-19 pandemic that occurred subsequent to the statement of financial position date. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

May 7, 2021

# Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

## Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,778,884	\$ 4,908,053
Investments	7,149,453	5,710,520
Receivables - Net:		
Contributions receivable	1,452,263	631,212
Other accounts receivable	182,714	178,825
Prepaid expenses and other current assets	307,571	341,262
Total current assets	11,870,885	11,769,872
<b>Investments</b>	2,491,107	2,165,661
<b>Receivables - Net of Allowances - Net</b>		
Contributions receivable	403,071	1,208,241
Other accounts receivable	107,693	62,813
<b>Other Assets</b>	188,965	182,213
<b>Property and Equipment - Net</b>	53,074,025	55,325,725
Total noncurrent assets	56,264,861	58,944,653
Total assets	<b>\$ 68,135,746</b>	<b>\$ 70,714,525</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 886,979	\$ 2,112,980
Deferred revenue	113,053	118,761
Current portion of long-term debt	250,000	500,000
Other liabilities	88,638	85,201
Total current liabilities	1,338,670	2,816,942
<b>Long-term Debt - Net of current portion</b>	-	500,000
<b>Other Liabilities</b>	27,185	44,457
Total liabilities	1,365,855	3,361,399
<b>Net Assets</b>		
Without donor restrictions	63,815,327	64,336,689
With donor restrictions	2,954,564	3,016,437
Total net assets	66,769,891	67,353,126
Total liabilities and net assets	<b>\$ 68,135,746</b>	<b>\$ 70,714,525</b>

# Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

## Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>						
Contributions	\$ 2,953,729	\$ 1,195,003	\$ 4,148,732	\$ 3,014,593	\$ 2,726,952	\$ 5,741,545
In-kind contributions	1,512,040	323,674	1,835,714	602,352	586,083	1,188,435
Mission Partner fundraising	853,537	-	853,537	904,064	-	904,064
Special event revenue:						
Fundraising events	3,085,296	-	3,085,296	3,844,811	-	3,844,811
Direct fundraising costs	(1,532,871)	-	(1,532,871)	(1,263,414)	-	(1,263,414)
Total special event revenue	1,552,425	-	1,552,425	2,581,397	-	2,581,397
Other income	981,909	-	981,909	1,137,355	-	1,137,355
Net assets released from restrictions	1,774,302	(1,774,302)	-	3,375,041	(3,375,041)	-
Total revenue, other support, and net assets released from restrictions	9,627,942	(255,625)	9,372,317	11,614,802	(62,006)	11,552,796
<b>Expenses</b>						
Program services:						
House operations	7,928,816	-	7,928,816	7,277,340	-	7,277,340
Grants and scholarships	198,060	-	198,060	282,915	-	282,915
Total program services	8,126,876	-	8,126,876	7,560,255	-	7,560,255
Support services:						
Fundraising	1,443,803	-	1,443,803	1,121,117	-	1,121,117
Management and general	2,119,722	-	2,119,722	2,021,019	-	2,021,019
Total support services	3,563,525	-	3,563,525	3,142,136	-	3,142,136
Total expenses	11,690,401	-	11,690,401	10,702,391	-	10,702,391
<b>(Decrease) Increase in Net Assets - Before nonoperating activities</b>	(2,062,459)	(255,625)	(2,318,084)	912,411	(62,006)	850,405
<b>Nonoperating Activities</b>						
Insurance proceeds	271,097	-	271,097	3,386,619	-	3,386,619
Loss on impairment of property and equipment	-	-	-	(1,723,986)	-	(1,723,986)
Gain on investments - Net	511,122	193,752	704,874	602,957	190,923	793,880
Polar vortex-related expenses	-	-	-	(1,040,942)	-	(1,040,942)
Paycheck Protection Program loan forgiveness (Note 5)	758,878	-	758,878	-	-	-
Total nonoperating activities	1,541,097	193,752	1,734,849	1,224,648	190,923	1,415,571
<b>(Decrease) Increase in Net Assets</b>	(521,362)	(61,873)	(583,235)	2,137,059	128,917	2,265,976
<b>Net Assets - Beginning of year</b>	64,336,689	3,016,437	67,353,126	62,199,630	2,887,520	65,087,150
<b>Net Assets - End of year</b>	<b>\$ 63,815,327</b>	<b>\$ 2,954,564</b>	<b>\$ 66,769,891</b>	<b>\$ 64,336,689</b>	<b>\$ 3,016,437</b>	<b>\$ 67,353,126</b>

See notes to financial statements.

## Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

### Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services			Support Services				Total
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Direct Fundraising Costs	Total Support Services	
Salaries	\$ 2,392,326	\$ 9,252	\$ 2,401,578	\$ 698,697	\$ 1,272,699	\$ -	\$ 1,971,396	\$ 4,372,974
Payroll taxes and other related expenses	374,571	1,113	375,684	117,000	181,129	-	298,129	673,813
Personnel expenses	30,620	-	30,620	8,316	58,035	-	66,351	96,971
Occupancy	1,724,955	-	1,724,955	2,046	126,622	-	128,668	1,853,623
Travel and meetings	7,416	-	7,416	3,007	10,197	-	13,204	20,620
Business development	-	-	-	7,738	-	-	7,738	7,738
Grants	-	165,849	165,849	-	-	-	-	165,849
Professional fees	119,150	-	119,150	65,308	234,384	-	299,692	418,842
Hardware, software, and equipment	73,887	-	73,887	48,143	56,881	-	105,024	178,911
Marketing expenses	2,426	-	2,426	3,203	91,276	-	94,479	96,905
General and administrative expenses	152,691	-	152,691	378	47,707	-	48,085	200,776
Fundraising expenses	-	-	-	489,895	-	-	489,895	489,895
Interest expenses	16,823	-	16,823	-	-	-	-	16,823
Program supplies	444,622	21,846	466,468	-	-	-	-	466,468
Depreciation	2,589,329	-	2,589,329	72	40,792	-	40,864	2,630,193
Direct fundraising costs	-	-	-	-	-	1,525,181	1,525,181	1,525,181
Total operating expenses	7,928,816	198,060	8,126,876	1,443,803	2,119,722	1,525,181	5,088,706	13,215,582
Remittances to RMHC Inc.	-	-	-	-	-	7,690	7,690	7,690
Total functional expenses	<b>\$ 7,928,816</b>	<b>\$ 198,060</b>	<b>\$ 8,126,876</b>	<b>\$ 1,443,803</b>	<b>\$ 2,119,722</b>	<b>\$ 1,532,871</b>	<b>\$ 5,096,396</b>	<b>\$ 13,223,272</b>

## Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

### Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Support Services				Total
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Direct Fundraising Costs	Total Support Services	
Salaries	\$ 1,744,474	\$ 14,421	\$ 1,758,895	\$ 623,615	\$ 1,109,958	\$ -	\$ 1,733,573	\$ 3,492,468
Payroll taxes and other related expenses	307,869	1,764	309,633	101,982	175,535	-	277,517	587,150
Personnel expenses	47,950	-	47,950	6,827	54,459	-	61,286	109,236
Occupancy	1,121,586	-	1,121,586	2,701	124,808	-	127,509	1,249,095
Travel and meetings	23,280	-	23,280	16,043	22,308	-	38,351	61,631
Business development	-	-	-	18,035	-	-	18,035	18,035
Scholarships	-	90,000	90,000	-	-	-	-	90,000
Grants	-	171,744	171,744	-	-	-	-	171,744
Professional fees	1,117,955	-	1,117,955	39,719	208,410	-	248,129	1,366,084
Hardware, software, and equipment	26,794	-	26,794	43,135	44,584	-	87,719	114,513
Marketing expenses	2,739	-	2,739	3,878	162,613	-	166,491	169,230
General and administrative expenses	143,377	-	143,377	2,309	91,765	-	94,074	237,451
Fundraising expenses	-	-	-	262,801	-	-	262,801	262,801
Interest expenses	59,518	-	59,518	-	-	-	-	59,518
Income tax expenses	(2,700)	-	(2,700)	-	(427)	-	(427)	(3,127)
Program supplies	335,505	4,986	340,491	-	-	-	-	340,491
Depreciation	2,348,993	-	2,348,993	72	27,006	-	27,078	2,376,071
Direct fundraising costs	-	-	-	-	-	1,263,414	1,263,414	1,263,414
<b>Total operating expenses</b>	<b>7,277,340</b>	<b>282,915</b>	<b>7,560,255</b>	<b>1,121,117</b>	<b>2,021,019</b>	<b>1,263,414</b>	<b>4,405,550</b>	<b>11,965,805</b>
Occupancy	209,558	-	209,558	-	-	-	-	209,558
Professional fees	363,028	-	363,028	-	-	-	-	363,028
Program supplies	468,356	-	468,356	-	-	-	-	468,356
<b>Total polar vortex-related expenses</b>	<b>1,040,942</b>	<b>-</b>	<b>1,040,942</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,040,942</b>
<b>Total functional expenses</b>	<b>\$ 8,318,282</b>	<b>\$ 282,915</b>	<b>\$ 8,601,197</b>	<b>\$ 1,121,117</b>	<b>\$ 2,021,019</b>	<b>\$ 1,263,414</b>	<b>\$ 4,405,550</b>	<b>\$ 13,006,747</b>

See notes to financial statements.

## Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

### Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (583,235)	\$ 2,265,976
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	2,630,193	2,376,071
Bad debt expense	8,305	51,122
In-kind contributions of property and equipment	(16,298)	(297,571)
Net realized and unrealized gain on investments	(730,217)	(628,951)
Amortization of discount on pledges	(51,980)	22,037
Loss on disposal of property and equipment	16,676	-
Contributions restricted for long-term investment	-	(800,000)
Impairment of property and equipment	-	1,723,986
Gain on insurance proceeds received for damaged property and equipment	(271,097)	(3,386,619)
Forgiveness of Paycheck Protection Program loan	(758,878)	-
Changes in operating assets and liabilities that (used) provided cash:		
Receivables	(20,975)	110,517
Prepaid expenses and other assets	26,939	(16,563)
Accounts payable and accrued expenses	(1,239,836)	(14,060)
Contract and other liabilities	(5,708)	(74,814)
Net cash (used in) provided by operating activities	(996,111)	1,331,131
<b>Cash Flows from Investing Activities</b>		
Insurance proceeds received for damaged property and equipment	271,097	3,386,619
Purchase of property and equipment	(378,871)	(3,436,998)
Purchases of investments	(2,409,358)	(2,319,744)
Proceeds from sales and maturities of investments	1,375,196	1,143,682
Net cash used in investing activities	(1,141,936)	(1,226,441)
<b>Cash Flows from Financing Activities</b>		
Payments on debt	(750,000)	(1,000,000)
Proceeds from Paycheck Protection Program loan	758,878	-
Net cash provided by (used in) financing activities	8,878	(1,000,000)
<b>Net Decrease in Cash</b>	(2,129,169)	(895,310)
<b>Cash - Beginning of year</b>	4,908,053	5,803,363
<b>Cash - End of year</b>	<b>\$ 2,778,884</b>	<b>\$ 4,908,053</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 16,823	\$ 59,518
Property and equipment purchases included in accrued expenses	-	1,109,022



**Note 1 - Nature of Business**

Ronald McDonald House Charities® of Chicagoland & Northwest Indiana (RMHC-CNI or the "Organization") is a not-for-profit corporation. The mission of RMHC-CNI is: We exist so families can get better together.

RMHC-CNI consists of five houses, including the Ronald McDonald House near Ann & Robert H. Lurie Children's Hospital of Chicago, the Ronald McDonald House near Loyola University Medical Center, the Ronald McDonald House near University of Chicago Comer Children's Hospital, the Ronald McDonald House near Advocate Children's Hospital, and the Ronald McDonald House near Northwestern Medicine Central DuPage Hospital. RMHC-CNI also operates three family rooms in Ann & Robert H. Lurie Children's Hospital of Chicago, in University of Chicago Comer Children's Hospital, and in Edward Hospital. In addition to the operation of these five houses and three Ronald McDonald family rooms, RMHC-CNI offers other types of programs, including a Ronald McDonald Care Mobile program and a scholarship. The scholarship program ended in 2020.

**Note 2 - Significant Accounting Policies**

***Investments***

See Note 11 for the value of investments.

Investment income, gains and losses, and any investment-related expenses are recorded as changes in net assets without donor restrictions in the statement of activities and changes in net assets unless their use is restricted by explicit donor stipulations or law.

RMHC-CNI's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

***Property and Equipment***

Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred.

***Classification of Net Assets***

Net assets of RMHC-CNI are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of RMHC-CNI.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RMHC-CNI or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

**December 31, 2020 and 2019**

**Note 2 - Significant Accounting Policies (Continued)**

***Contributions***

Unconditional promises to give cash and other assets to RMHC-CNI are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

RMHC-CNI reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, RMHC-CNI reports the expiration of donor restrictions when the assets are placed in service.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

***Donated Services***

RMHC-CNI receives donations of various services. In accordance with generally accepted accounting standards, these services are recorded in the statement of activities and changes in net assets when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time in RMHC-CNI's programs and services. These volunteer services are not recordable under accounting principles generally accepted in the United States of America. The value of the volunteer services is not disclosed, as no objective basis is available to measure the value of such services.

***In-kind Contributions***

Donated items received by RMHC-CNI are reflected in the financial statements at their estimated fair values.

***Mission Partner Fundraising Revenue***

Mission Partner fundraising revenue includes donation box collections, customer purchase round-up (to the nearest dollar), and national and local restaurant fundraisers. These proceeds are recorded as contributions without donor restrictions.

***Rental Revenue***

Rental revenue is recognized on a straight-line basis over the life of the lease and is included in other income on the statement of activities and changes in net assets. Recoveries from tenants are recognized as revenue in the period during which the associated costs are incurred. Tenant recovery income includes reimbursements for property taxes, insurance, and other property expenses.

December 31, 2020 and 2019

**Note 2 - Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statements of activities and changes in net assets and functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, costs may be allocated between the program and support functions based on various allocation methods and estimates. Allocations for salaries, payroll taxes, and other related expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Income Taxes***

RMHC-CNI is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). RMHC-CNI reported unrelated business income and paid the related tax, which amounted to an expense of \$3,127 for the year ended December 31, 2019. There was no unrelated business income tax expense for the year ended December 31, 2020.

***Use of Estimates***

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

***Concentration of Credit Risk***

Financial instruments, which potentially subject RMHC-CNI to concentrations of credit risk, consist principally of cash. RMHC-CNI places its cash deposits with high-quality financial institutions in various types of bank accounts. RMHC-CNI utilizes an operating account and a high-yield savings account, which are insured up to \$3,750,000 and \$30,000,000, respectively. Management monitors cash balances regularly to reduce the concentration of credit risk.

***Risks and Uncertainties***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

RMHC-CNI services, workforce, and fundraising strategies were impacted. While RMHC-CNI continued to serve families in need with considerable restrictions and occupancy adjustments, to reduce risk, all volunteer services were suspended from March through August 2020, with minimal volunteer support reinstated for September through December. As a result, RMHC-CNI's ability to provide many of its support services across programs was dramatically reduced. Additionally, several program sites were temporarily closed due to lower occupancy needs. RMHC-CNI experienced shift decline among its part-time workforce, and the development, marketing, and other administrative staff shifted to working from home effective March 2020 (remote work continues today). Several fundraising events were canceled and/or were adjusted to virtual platforms, and overall donations declined. RMHC-CNI did receive a Paycheck Protection Program loan, which was forgiven in 2020, as disclosed in Note 5.

While the Company's results of operations, cash flows, and financial condition were not significantly impacted, the extent of any future impact cannot be reasonably estimated at this time.

**Note 2 - Significant Accounting Policies (Continued)**

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including May 7, 2021, which is the date the financial statements were available to be issued.

***Upcoming Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the RMHC-CNI's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on RMHC-CNI's financial statements as a result of the leases for office facilities and land classified as operating leases. The effects on the changes in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

The ASU did not significantly change the accounting requirements for lessors, and, accordingly, application of the new lease standard is not expected to have a significant effect on RMHC-CNI's financial statements related to the recording of rental income.

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

# Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 3 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign and various other fundraising activities. Pledge commitments extend through 2027. They are included as follows:

	2020	2019
Gross promises to give before unamortized discount and allowance for doubtful accounts	\$ 1,886,904	\$ 1,917,453
Less unamortized discount, using discount rates of 0.21 to 0.65 percent	(5,613)	(57,593)
Less allowance for doubtful pledges	(25,957)	(20,407)
Net contributions receivable	<u>\$ 1,855,334</u>	<u>\$ 1,839,453</u>
Amounts due in:		
Less than one year	\$ 1,478,220	\$ 651,619
One to five years	398,684	1,245,834
More than five years	10,000	20,000
Total	<u>\$ 1,886,904</u>	<u>\$ 1,917,453</u>

### Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land	\$ 5,540,121	\$ 5,540,121	-
Land improvements	15,575	15,575	10-15
Buildings	64,318,443	64,299,943	7-40
Machinery and equipment	578,921	578,921	2-10
Transportation equipment	2,911	24,055	5
Furniture, fixtures, and other equipment	6,997,550	6,647,945	3-5
Leasehold improvements	71,874	71,874	5-20
Construction in progress	2,500	-	-
Total cost	77,527,895	77,178,434	
Accumulated depreciation and amortization	<u>24,453,870</u>	<u>21,852,709</u>	
Net property and equipment	<u>\$ 53,074,025</u>	<u>\$ 55,325,725</u>	

Depreciation expense for 2020 and 2019 was \$2,630,193 and \$2,376,071, respectively.

RMHC-CNI incurred significant damage to buildings and business property during the polar vortex in early 2019. Two house locations were impacted: (1) the Ronald McDonald House near Ann & Robert H. Lurie Children's Hospital of Chicago and (2) the Ronald McDonald House near University of Chicago Children's Hospital. As a result of the damages, RMHC-CNI recorded a loss on impairment of property and equipment of \$1,723,986 for the year ended December 31, 2019. Insurance proceeds of \$271,097 and \$3,386,619 were received in relation to the damages in 2020 and 2019, respectively.

Notes to Financial Statements

December 31, 2020 and 2019

Note 5 - Long-term Debt

RMHC-CNI has an available revolving note with a financial institution. RMHC-CNI can draw up to a maximum of \$1,000,000. Interest rate on the revolving note is 1.95 percent above the 90-day London Offered Interbank Rate (LIBOR) (an effective rate of 2.17 and 3.93 percent at December 31, 2020 and 2019, respectively). The revolving note is collateralized by substantially all the assets of RMHC-CNI. There were no amounts drawn on the revolving note as of December 31, 2020 or 2019. The note expires on July 23, 2021. RMHC-CNI plans to renew upon expiration.

RMHC-CNI has a term note for \$3,000,000 with a financial institution. Interest rate on the term loan is 1.95 percent above the 30-day LIBOR (an effective rate of 2.10 and 3.67 percent at December 31, 2020 and 2019, respectively) and is reset on the 10th day of each month. The note is collateralized by mortgage, assignment of rents, assignment of contracts, and an environmental agreement with a maturity date of December 1, 2023. The note allows for prepayment without penalty. The outstanding balance was \$250,000 and \$1,000,000 as of December 31, 2020 and 2019, respectively.

The balance of the above debt matures as follows:

Year Ending	Amount
2021	\$ 250,000

Interest expense for 2020 and 2019 was \$16,823 and \$59,518, respectively.

During the year ended December 31, 2020, RMHC-CNI received a Paycheck Protection Program (PPP) loan in the amount of \$758,878. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and staffing level and salary maintenance requirements are met.

Prior to December 31, 2020, RMHC-CNI applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$758,878 has been recorded in nonoperating activities in the accompanying statement of activities and changes in net assets.

On February 1, 2021, RMHC-CNI received a Paycheck Protection Program loan in the amount of \$825,721. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and staffing level and salary maintenance requirements are met.

RMHC-CNI has not submitted a request for forgiveness as of the date the financial statements were available to be issued; however, RMHC-CNI expects to submit a request for forgiveness for the entire loan balance in 2021. There can be no assurance given that any portion of the PPP loan will be forgiven.

Notes to Financial Statements

December 31, 2020 and 2019

**Note 6 - Net Assets**

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose:		
Lurie House	\$ 45,000	\$ 155,004
Hope House	-	2,646
Loyola House	11,555	-
Chef program/meals/food	129,712	27,860
Other miscellaneous programs	46,559	85,239
Total subject to expenditures for a specified purpose	232,826	270,749
Subject to the passage of time - Contributions receivable:		
Without donor restrictions	553,000	570,000
With donor restrictions	790,000	800,000
Total subject to the passage of time - Contributions receivable	1,343,000	1,370,000
Subject to appropriation and expenditures for house operations	182,428	179,378
Not subject to appropriation or expenditure: (Note 7)		
Ronald McDonald House operation expense endowment	996,250	996,250
General support endowment	200,060	200,060
Total not subject to appropriation or expenditure	1,196,310	1,196,310
Total donor-restricted net assets	<u>\$ 2,954,564</u>	<u>\$ 3,016,437</u>

**Note 7 - Donor-restricted Endowments**

RMHC-CNI's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

RMHC-CNI is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of RMHC-CNI had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, RMHC-CNI considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. RMHC-CNI has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, RMHC-CNI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of RMHC-CNI and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation



Notes to Financial Statements

December 31, 2020 and 2019

**Note 7 - Donor-restricted Endowments (Continued)**

- The expected total return from income and the appreciation of investments
- Other resources of RMHC-CNI
- The investment policies of RMHC-CNI

	Endowment Net Asset Composition by Type of Fund as of December 31, 2020 <u>With Donor Restrictions</u>
Donor-restricted endowment funds	\$ 1,196,310
	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 1,196,310
Investment return	190,702
Appropriation of endowment assets for expenditure	<u>(190,702)</u>
Endowment net assets - End of year	<u>\$ 1,196,310</u>
	Endowment Net Asset Composition by Type of Fund as of December 31, 2019 <u>With Donor Restrictions</u>
Donor-restricted endowment funds	\$ 1,196,310
	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 1,133,108
Investment return	182,768
Appropriation of endowment assets for expenditure	<u>(119,566)</u>
Endowment net assets - End of year	<u>\$ 1,196,310</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires RMHC-CNI to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2020 and 2019.

**Return Objectives and Risk Parameters**

RMHC-CNI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that RMHC-CNI must hold in perpetuity. Under this policy, as approved by the board of directors, the investment portfolio shall be managed with the objective of attaining a competitive 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.



**Note 7 - Donor-restricted Endowments (Continued)**

***Strategies Employed for Achieving Objectives***

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

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

RMHC-CNI has a policy that allows it to appropriate any future interest or investment income generated.

**Note 8 - Related Party Transactions**

The proceeds received from Global RMHC totaled \$178,111 and \$106,500 for the years ended December 31, 2020 and 2019, respectively. These funds represent grants from Global RMHC for operational initiatives. RMHC-CNI had approximately \$94,000 and \$140,000 recorded in accounts receivable from Global RMHC and no payables at December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, RMHC-CNI had revenue and in-kind contributions from members of the board of directors and their respective organizations and Global RMHC totaling approximately \$828,000 and \$1,360,000, respectively.

**Note 9 - Operating Leases**

RMHC-CNI is obligated under a lease agreement for office facilities expiring on January 31, 2023. Total rent expense under this lease was approximately \$107,000 and \$106,000 for the years ended December 31, 2020 and 2019, respectively.

Approximate future minimum annual commitments under this operating lease are as follows:

Years Ending December 31	Amount
2021	\$ 108,000
2022	111,000
2023	9,000
Total	<u>\$ 228,000</u>

RMHC-CNI was granted a 50-year lease on land owned by the United States Veterans Administration and occupied by the Ronald McDonald House near Loyola University Medical Center. The use of land was granted without cost to the Organization. The lease was granted under U.S. Senate Bill No. 677, which was signed into law on October 1, 1993.

The University of Chicago owns the property on which the Ronald McDonald House near University of Chicago Comer Children's Hospital is constructed. RMHC-CNI committed to a 25-year lease agreement in 2005 to lease the property for \$1 per year.

The Oak Lawn Community High School District 229 owns the property on which the Ronald McDonald House near Advocate Hope Children's Hospital is constructed. RMHC-CNI committed to a 25-year lease agreement in 2006. The lease terms called for a \$200,000 payment upon commencement of the lease, a \$100,000 payment in year seven of the lease, and a \$25,000 payment in year 20 of the lease. At the conclusion of this 25-year period, the lease contains a renewal clause for an additional 25-year term. RMHC-CNI is recognizing rent expense on a straight-line basis over the term of the lease.

December 31, 2020 and 2019

**Note 9 - Operating Leases (Continued)**

Cadence Health owns the property on which the Ronald McDonald House near Cadence Health - CDH Campus was constructed. RMHC-CNI committed to a 25-year lease agreement in 2013 to lease the property for \$1 per year. The lease contains a renewal clause for an additional 25-year term.

**Note 10 - Minimum Future Rentals**

RMHC-CNI has entered into three lease agreements as a lessor for space in the Ronald McDonald House near Ann & Robert H. Lurie Children's Hospital of Chicago. The lease term for two of the leases was from September 15, 2012 through September 14, 2019, and, during 2019, the tenant exercised the option to extend through September 15, 2024. The third lease is from December 1, 2017 through April 3, 2024. The leases also require the tenants to pay operating expenses, which are included in RMHC-CNI's rental income. Total rental income recognized under these leases was approximately \$554,000 and \$562,000 for the years ended December 31, 2020 and 2019, respectively.

Approximate future minimum future rent on noncancelable leases as of December 31, 2020 for each of the next five years, and in the aggregate, is as follows:

Years Ending December 31	Amount
2021	\$ 444,775
2022	385,255
2023	403,012
2024	209,191
Total	<u>\$ 1,442,233</u>

In January 2020, the Organization elected to early terminate one of the leases. The lease was terminated on April 30, 2021.

**Note 11 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that RMHC-CNI has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. RMHC-CNI's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

# Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 11 - Fair Value Measurements (Continued)

The following tables present information about RMHC-CNI's assets measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by RMHC-CNI to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
<b>Investments</b>				
Money market funds	\$ 4,539,974	\$ -	\$ -	\$ 4,539,974
Mutual funds	4,688,429	-	-	4,688,429
Private equity funds	-	-	412,157	412,157
<b>Total investments</b>	<b>\$ 9,228,403</b>	<b>\$ -</b>	<b>\$ 412,157</b>	<b>\$ 9,640,560</b>

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
<b>Investments</b>				
Money market funds	\$ 4,538,910	\$ -	\$ -	\$ 4,538,910
Mutual funds	2,939,390	-	-	2,939,390
Private equity funds	-	-	397,881	397,881
<b>Total investments</b>	<b>\$ 7,478,300</b>	<b>\$ -</b>	<b>\$ 397,881</b>	<b>\$ 7,876,181</b>

### Note 12 - Liquidity

The following reflects RMHC-CNI's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2020	2019
Cash	\$ 2,778,884	\$ 4,908,053
Contributions receivable	1,855,334	1,839,453
Other accounts receivable	290,407	241,638
Investments	9,640,560	7,876,181
<b>Financial assets - At year end</b>	<b>14,565,185</b>	<b>14,865,325</b>
Less those assets unavailable for general expenditures within one year due to - Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	1,575,826	1,640,749
Subject to appropriation and satisfaction of donor restrictions	182,428	179,378
Long-term investments	2,491,107	2,165,661
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 10,315,824</b>	<b>\$ 10,879,537</b>

**December 31, 2020 and 2019**

**Note 12 - Liquidity (Continued)**

It is RMHC-CNI's policy to maintain cash balances sufficient to pay current liabilities and obligations. While the operating cash account does not earn interest, average monthly balances earn a monthly earning credit that is used to offset monthly bank fees.

At the finance and audit committee's discretion, operating cash surpluses can be used to pay down debt or transferred into longer-term investment accounts. RMHC-CNI maintains several investment accounts, each with a different risk profile and time horizon. These accounts are (1) the operating reserve, (2) the capital reserve, (3) donor-restricted investments, and (4) endowments. All income from the operating reserve and capital reserve is without donor restrictions and available to meet current obligations, although RMHC-CNI typically reinvests these balances. Income earned in the endowment accounts is classified as with donor restrictions but can be appropriated by the finance and audit committee. A portion of the investments with donor restrictions mandates reinvestment of 50 percent of the investment earnings. The remaining earnings from this investment account are without donor restrictions and available to meet current obligations.

The finance and audit committee makes decisions concerning the use, investment strategy, and allocation of RMHC-CNI's financial assets and monitors investment performance in compliance with the board-approved RMHC-CNI investment policy statement.

RMHC-CNI also realizes there could be unanticipated liquidity needs.

RMHC-CNI has a committed line of credit in the amount of \$1,000,000 at December 31, 2020 and 2019, respectively, which it could draw upon if needed, as further described in Note 5.