Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

Financial Report

December 31, 2022

Contents

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Ronald McDonald House Charities® of Chicagoland & Northwest Indiana (RMHC-CNI), which comprise the statement of financial position as of December 31, 2022 and 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RMHC-CNI as of December 31, 2022 and 2021 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of RMHC-CNI and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2 to the financial statements, RMHC-CNI adopted the provisions of Financial Accounting Standards Board Accounting Standards Updates (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, and No. 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

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 RMHC-CNI's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 RMHC-CNI'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 RMHC-CNI'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

May 8, 2023

Statement of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	$ 4,870,626	$ 5,382,159
Investments	7,648,180	7,382,785
Receivables:		
Contributions receivable	1,258,052	1,311,363
Other accounts receivable	453,301	1,171,947
Prepaid expenses and other current assets	276,314	338,746
Total current assets	14,506,473	15,587,000
Investments	2,500,959	2,833,397
Receivables - Net of allowances		
Contributions receivable	1,297,243	1,822,002
Other accounts receivable	6,462	24,173
Other Assets	195,478	200,187
Property and Equipment - Net	49,200,435	51,405,577
Right-of-use Operating Lease Assets	113,056	-
Total noncurrent assets	53,313,633	56,285,336
Total assets	**$ 67,820,106**	**$ 71,872,336**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,462,596	$ 1,103,347
Deferred revenue	63,017	74,564
Current portion of operating lease liabilities	9,256	-
Other liabilities	54,248	92,889
Total current liabilities	1,589,117	1,270,800
Operating Lease Liabilities	23,195	-
Other Liabilities	5,636	7,642
Total liabilities	1,617,948	1,278,442
Net Assets		
Without donor restrictions	60,750,920	64,611,165
With donor restrictions	5,451,238	5,982,729
Total net assets	66,202,158	70,593,894
Total liabilities and net assets	**$ 67,820,106**	**$ 71,872,336**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	$ 3,085,994	$ 1,368,685	$ 4,454,679	$ 2,346,328	$ 4,733,804	$ 7,080,132
Contributed nonfinancial assets	2,686,568	208,604	2,895,172	1,648,099	523,193	2,171,292
Employee Retention Credit revenue	-	-	-	1,313,061	-	1,313,061
Fundraising revenue:						
Fundraising events	4,437,404	-	4,437,404	3,340,683	-	3,340,683
Direct fundraising costs	(3,676,883)	-	(3,676,883)	(2,357,319)	-	(2,357,319)
Mission Partner fundraising	1,309,129	-	1,309,129	1,275,009	-	1,275,009
Mission Partner fundraising costs	(90,375)	-	(90,375)	(82,032)	-	(82,032)
Total fundraising revenue	1,979,275	-	1,979,275	2,176,341	-	2,176,341
Other income	1,131,422	-	1,131,422	952,613	-	952,613
Net assets released from restrictions	1,874,340	(1,874,340)	-	2,383,658	(2,383,658)	-
Total revenue, other support, and net assets released from restrictions	10,757,599	(297,051)	10,460,548	10,820,100	2,873,339	13,693,439
Expenses						
Program services:						
House operations	9,985,163	-	9,985,163	8,063,663	-	8,063,663
Grants and scholarships	178,341	-	178,341	160,677	-	160,677
Total program services	10,163,504	-	10,163,504	8,224,340	-	8,224,340
Support services:						
Fundraising	1,184,257	-	1,184,257	856,929	-	856,929
Management and general	2,298,762	-	2,298,762	2,208,953	-	2,208,953
Total support services	3,483,019	-	3,483,019	3,065,882	-	3,065,882
Total expenses	13,646,523	-	13,646,523	11,290,222	-	11,290,222
(Decrease) Increase in Net Assets - Before nonoperating activities	(2,888,924)	(297,051)	(3,185,975)	(470,122)	2,873,339	2,403,217
Nonoperating Activities						
(Loss) gain on investments - Net	(971,321)	(234,440)	(1,205,761)	440,239	154,826	595,065
Paycheck Protection Program loan forgiveness	-	-	-	825,721	-	825,721
Total nonoperating activities	(971,321)	(234,440)	(1,205,761)	1,265,960	154,826	1,420,786
(Decrease) Increase in Net Assets	(3,860,245)	(531,491)	(4,391,736)	795,838	3,028,165	3,824,003
Net Assets - Beginning of year	64,611,165	5,982,729	70,593,894	63,815,327	2,954,564	66,769,891
Net Assets - End of year	**$ 60,750,920**	**$ 5,451,238**	**$ 66,202,158**	**$ 64,611,165**	**$ 5,982,729**	**$ 70,593,894**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			Support Services				
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Direct Fundraising Costs	Total Support Services	Total
Salaries	$ 2,712,560	$ 14,504	$ 2,727,064	$ 680,203	$ 1,387,404	$ -	$ 2,067,607	$ 4,794,671
Payroll taxes and other related expenses	462,571	1,674	464,245	123,233	209,688	-	332,921	797,166
Personnel expenses	68,201	-	68,201	9,279	78,927	-	88,206	156,407
Occupancy	2,069,378	-	2,069,378	1,787	121,757	-	123,544	2,192,922
Travel and meetings	28,395	-	28,395	7,990	24,952	-	32,942	61,337
Business development	-	-	-	12,227	592	-	12,819	12,819
Grants	405,000	139,023	544,023	-	2,000	-	2,000	546,023
Professional fees	121,907	-	121,907	53,732	235,304	-	289,036	410,943
Hardware, software, and equipment	53,931	-	53,931	76,913	62,603	-	139,516	193,447
Marketing expenses	470,961	-	470,961	4,151	119,255	-	123,406	594,367
General and administrative expenses	176,730	-	176,730	1,838	28,505	-	30,343	207,073
Fundraising expenses	-	-	-	212,832	-	-	212,832	212,832
Program supplies	675,825	23,140	698,965	-	-	-	-	698,965
Depreciation	2,739,704	-	2,739,704	72	27,775	-	27,847	2,767,551
Direct fundraising costs	-	-	-	-	-	3,676,883	3,676,883	3,676,883
Total operating expenses	9,985,163	178,341	10,163,504	1,184,257	2,298,762	3,676,883	7,159,902	17,323,406
Remittances to RMHC Inc.	-	-	-	-	-	90,375	90,375	90,375
Total functional expenses	**$ 9,985,163**	**$ 178,341**	**$ 10,163,504**	**$ 1,184,257**	**$ 2,298,762**	**$ 3,767,258**	**$ 7,250,277**	**$ 17,413,781**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services			Support Services				
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Direct Fundraising Costs	Total Support Services	Total
Salaries	$ 2,265,775	$ 8,237	$ 2,274,012	$ 613,985	$ 1,254,272	$ -	$ 1,868,257	$ 4,142,269
Payroll taxes and other related expenses	387,895	974	388,869	95,644	200,800	-	296,444	685,313
Personnel expenses	42,930	-	42,930	6,190	78,025	-	84,215	127,145
Occupancy	1,985,813	-	1,985,813	1,793	122,259	-	124,052	2,109,865
Travel and meetings	4,553	-	4,553	3,690	11,258	-	14,948	19,501
Business development	-	-	-	14,377	-	-	14,377	14,377
Grants	-	150,417	150,417	-	-	-	-	150,417
Professional fees	96,339	-	96,339	14,063	328,997	-	343,060	439,399
Hardware, software, and equipment	58,101	-	58,101	69,158	81,849	-	151,007	209,108
Marketing expenses	842	-	842	1,558	66,656	-	68,214	69,056
General and administrative expenses	167,397	-	167,397	1,307	36,734	-	38,041	205,438
Fundraising expenses	-	-	-	35,092	-	-	35,092	35,092
Interest expenses	2,036	-	2,036	-	-	-	-	2,036
Program supplies	421,426	1,049	422,475	-	-	-	-	422,475
Depreciation	2,630,556	-	2,630,556	72	28,103	-	28,175	2,658,731
Direct fundraising costs	-	-	-	-	-	2,357,319	2,357,319	2,357,319
Total operating expenses	8,063,663	160,677	8,224,340	856,929	2,208,953	2,357,319	5,423,201	13,647,541
Remittances to RMHC Inc.	-	-	-	-	-	82,032	82,032	82,032
Total functional expenses	**$ 8,063,663**	**$ 160,677**	**$ 8,224,340**	**$ 856,929**	**$ 2,208,953**	**$ 2,439,351**	**$ 5,505,233**	**$ 13,729,573**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (4,391,736)	$ 3,824,003
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	2,767,551	2,658,731
Bad debt expense	(2,851)	12,979
In-kind contributions of property and equipment	(41,249)	(323,163)
Net realized and unrealized loss (gain) on investments	1,438,942	(431,656)
Amortization of discount on pledges	142,429	88,001
Amortization of right-of-use assets	102,464	-
Contributions of investments	(154,931)	(1,106,673)
Forgiveness of Paycheck Protection Program loan	-	(825,721)
Changes in operating assets and liabilities that provided (used) cash:		
Receivables	1,329,780	(1,178,051)
Prepaid expenses and other assets	67,141	(42,397)
Accounts payable and accrued expenses	243,238	96,950
Deferred revenue and other liabilities	(11,547)	(85,015)
Change in lease liabilities	(183,069)	-
Net cash provided by operating activities	1,306,162	2,687,988
Cash Flows from Investing Activities		
Purchase of property and equipment	(445,796)	(516,468)
Purchases of investments	(2,006,136)	(6,258,238)
Proceeds from sales and maturities of investments	634,237	6,114,272
Net cash used in investing activities	(1,817,695)	(660,434)
Cash Flows from Financing Activities		
Payments on debt	-	(250,000)
Proceeds from Paycheck Protection Program loan	-	825,721
Net cash provided by financing activities	-	575,721
Net (Decrease) Increase in Cash	(511,533)	2,603,275
Cash - Beginning of year	5,382,159	2,778,884
Cash - End of year	**$ 4,870,626**	**$ 5,382,159**
Supplemental Cash Flow Information		
Cash paid for interest	$ -	$ 2,036
Property and equipment purchases included in accounts payable and accrued expenses	75,364	150,652

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.

Note 2 - Significant Accounting Policies

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.

Investments

See Note 9 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.

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. There are no conditional promises to give as of December 31, 2022 or 2021. 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.

Contributed Nonfinancial Assets

Donated items, including property and equipment, received by RMHC-CNI are reflected in the financial statements at their estimated fair values.

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.

Employee Retention Credit Revenue

Revenue received under the Employee Retention Credit (ERC) is considered a nonexchange transaction and is recognized as the conditions of the grant have been met specific to stimulus pandemic relief. Grants receivable that are expected to be collected within one year are recorded at net realizable value.

ERC is offered to businesses that meet one or both of the following criteria: forced to partially or fully suspend or limit operations by a governmental order or experienced a 50 percent decline in gross receipts during any quarter in 2020 versus the same quarter in 2019. The purpose was to encourage businesses to keep employees on payroll. As the barriers were met as of December 31, 2021, RMHC-CNI recognized revenue of $1,313,061. There was no revenue recognized in 2022. As of December 31, 2022 and 2021, the ERC receivable amounted to $314,938 and $963,500, respectively, which is included in other accounts receivable on the statement of financial position.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

Leases

RMHC-CNI has operating leases for office space and land, as described in Note 12. RMHC-CNI recognizes expense for operating leases on a straight-line basis over the lease term.

RMHC-CNI elected the packaged of practical expedients where they are not required to (i) reassess whether any expired or existing contracts are or contain leases, (ii) reassess the lease classification of existing leases, or (iii) reassess initial direct costs for any existing leases.

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).

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 8, 2023, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The standard 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 are classified as either finance or operating leases, with the classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Previously, leases were classified as either capital or operating leases, with only capital leases recognized on the statement of financial position. The new guidance was adopted as of January 1, 2022 and applied using the modified retrospective transition method. Accordingly, RMHC-CNI has recognized the right-of-use asset and related lease liability based on the present value of the minimum lease payments for its office lease and land lease. To establish the initial lease liabilities, the leases were reported with a total future commitment, discounted for present value of $141,099. The right-of-use assets are amortized over the term of the leases and has a carrying value net of accumulated amortization of $113,056 as of December 31, 2022. There was no cumulative effect on the change in net assets or restatement of prior year financial amounts.

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

Contributed Nonfinancial Assets

As of January 1, 2022, RMHC-CNI adopted Financial Accounting Standards Board Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provided for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are reported by category within the financial statements, and there are 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 a description of the fair value techniques used to arrive at a fair value measurement. RMHC-CNI adopted the ASU on a retrospective basis for the year ended December 31, 2022. The standard required expanded disclosures (see Note 11). There was no restatement of prior year financial amounts.

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 2028. They are included as follows:

	2022	2021
Gross promises to give before unamortized discount and allowance for doubtful accounts	$ 2,815,424	$ 3,265,914
Less unamortized discount, using discount rates of 0.94 to 4.77 percent	(236,043)	(93,614)
Less allowance for doubtful pledges	(24,086)	(38,935)
Net contributions receivable	$ 2,555,295	$ 3,133,365
Amounts due in:		
Less than one year	$ 1,282,138	$ 1,350,298
One to five years	1,533,286	1,772,759
More than five years	-	142,857
Total	$ 2,815,424	$ 3,265,914

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Land	$ 5,540,121	$ 5,540,121	-
Land improvements	15,575	15,575	10-15
Buildings	65,014,640	64,318,443	7-40
Machinery and equipment	578,921	578,921	2-10
Transportation equipment	2,911	2,911	5
Furniture, fixtures, and other equipment	7,738,885	7,442,582	3-5
Leasehold improvements	71,874	71,874	5-20
Construction in progress	117,659	547,751	-
Total cost	79,080,586	78,518,178	
Accumulated depreciation and amortization	29,880,151	27,112,601	
Net property and equipment	$ 49,200,435	$ 51,405,577	

Depreciation expense for 2022 and 2021 was $2,767,551 and $2,658,731, respectively.

Construction in progress relates to family rooms at two Ronald McDonald Houses and the Lurie 7th Floor project. Outstanding commitments under construction agreements amount to $290,086 and $259,169 as of December 31, 2022 and 2021, respectively.

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 prime minus 1 percent (an effective rate of 6.5 percent and 2.25 percent at December 31, 2022 and 2021, 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, 2022 or 2021. The note expires on July 23, 2024. RMHC-CNI plans to renew upon expiration.

Note 5 - Long-term Debt (Continued)

RMHC-CNI had a term note for $3,000,000 with a financial institution. Interest rate on the term loan was 1.95 percent above the 30-day LIBOR (2.05 percent at December 31, 2021) and was reset on the 10th day of each month. The note was collateralized by mortgage, assignment of rents, assignment of contracts, and an environmental agreement with a maturity date of December 1, 2023. The note was paid in full in 2021.

Interest expense for 2021 was $2,036. There was no interest expense in 2022.

During the year ended December 31, 2021, RMHC-CNI received a loan draw of $825,721 under the Paycheck Protection Program (PPP). 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 loans may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

Prior to December 31, 2021, RMHC-CNI applied for and received notification of forgiveness of the loan draw from the SBA. As of December 31, 2021, loan forgiveness of $825,721 has been recorded in nonoperating activities in the accompanying statement of activities and changes in net assets.

Note 6 - Net Assets

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

	2022	2021
Subject to expenditures for a specified purpose:		
Lurie House	$ 122,507	$ 612,668
Prentice and Advocate Family Rooms	1,454,014	1,257,641
Loyola House	-	1,515
Chef program/meals/food	62,114	92,172
Other miscellaneous programs	147,341	64,750
Total subject to expenditures for a specified purpose	1,785,976	2,028,746
Subject to the passage of time - Contributions receivable:		
Without donor restrictions	629,000	376,000
With donor restrictions	1,658,986	2,196,616
Total subject to the passage of time - Contributions receivable	2,287,986	2,572,616
Subject to appropriation and expenditures for house operations	180,966	185,057
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	$ 5,451,238	$ 5,982,729

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.

Note 7 - Donor-restricted Endowments (Continued)

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
- 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, 2022
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 1,196,310
Accumulated investment losses	(230,349)
Total	$ 965,961

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2022
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 1,196,310
Investment loss	(230,349)
Endowment net assets - End of year	$ 965,961

Note 7 - Donor-restricted Endowments (Continued)

		Endowment Net Asset Composition by Type of Fund as of December 31, 2021
		With Donor Restrictions
Donor-restricted endowment funds	$	1,196,310

		Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021
		With Donor Restrictions
Endowment net assets - Beginning of year	$	1,196,310
Investment return		152,197
Appropriation of endowment assets for expenditure		(152,197)
Endowment net assets - End of year	$	1,196,310

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. The two funds had a total deficiency of $230,349 as of December 31, 2022. There were no funds with deficiencies as of December 31, 2021.

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.

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 $98,000 and $650,000 for the years ended December 31, 2022 and 2021, respectively. These funds represent grants from Global RMHC for operational initiatives. RMHC-CNI had approximately $140,000 and $123,000 recorded in accounts receivable from Global RMHC and no payables at December 31, 2022 and 2021, respectively.

Note 8 - Related Party Transactions (Continued)

For the years ended December 31, 2022 and 2021, RMHC-CNI had revenue and in-kind contributions from members of the board of directors and their respective organizations and Global RMHC totaling approximately $2,263,000 and $2,018,000, respectively.

Note 9 - 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.

The following tables present information about RMHC-CNI's assets measured at fair value on a recurring basis at December 31, 2022 and 2021 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, 2022			
	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, 2022
Investments				
Money market funds	$ 2,756,054	$ -	$ -	$ 2,756,054
Mutual funds and equity securities	7,121,110	-	-	7,121,110
Hedge funds	-	-	271,975	271,975
Total investments	$ 9,877,164	$ -	$ 271,975	$ 10,149,139

Note 9 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	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, 2021
Investments				
Money market funds	$ 2,201,051	$ -	$ -	$ 2,201,051
Mutual funds and equity securities	7,895,131	-	-	7,895,131
Hedge funds	-	-	120,000	120,000
Total investments	$ 10,096,182	$ -	$ 120,000	$ 10,216,182

Note 10 - Liquidity and Availability of Resources

The following reflects RMHC-CNI's financial assets as of December 31, 2022 and 2021, 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:

	2022	2021
Cash	$ 4,870,626	$ 5,382,159
Contributions receivable	2,555,295	3,133,365
Other accounts receivable	459,763	1,196,120
Investments	10,149,139	10,216,182
Financial assets - At year end	18,034,823	19,927,826
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	4,073,962	4,601,362
Subject to appropriation and satisfaction of donor restrictions	180,966	185,057
Long-term investments	2,500,959	2,833,397
Financial assets available to meet cash needs for general expenditures within one year	$ 11,278,936	$ 12,308,010

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.

Note 10 - Liquidity and Availability of Resources (Continued)

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, 2022 and 2021, respectively, which it could draw upon if needed, as further described in Note 5.

Note 11 - Contributed Nonfinancial Assets

RMHC-CNI received the following contributions of nonfinancial assets for the years ended December 31:

	2022	2021
Advertising services	$ 2,520,302	$ 1,165,980
Other services	71,031	318,401
Household goods	208,604	523,193
Special event auction items	95,235	163,718
Total in-kind donations	$ 2,895,172	$ 2,171,292

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Organization receives various contributed services that are reported using current rates for similar services.

In valuing household goods and auction items, RMHC-CNI estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

All donated services, goods, and auction items were utilized by RMHC-CNI's programs and supporting services. Donor-imposed restrictions were imposed on certain goods received for use in house operations.

Note 12 - Operating Leases

RMHC-CNI is obligated under an operating lease for office space expiring on January 31, 2023.

RMHC-CNI is also obligated under a land lease for 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 7 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.

The right-of-use assets and related lease liabilities have been calculated using a discount rate of 2.25 percent. Total rent expense under these leases was approximately $127,000 and $118,000 for 2022 and 2021, respectively.

Noncash transactions consist of right-of-use assets obtained in exchange for operating lease liabilities amounting to $215,520 for the year ended December 31, 2022.

Note 12 - Operating Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2023	$ 9,000
2024	-
2025	-
2026	-
2027	-
Thereafter	25,000
Total	34,000
Less amount representing interest	1,549
Present value of net minimum lease payments	32,451
Long-term obligations under leases	$ 23,195

RMHC-CNI has determined ASC 958-605 applies to the following agreements as they relate to unconditional promises to give the use of long-lived assets:

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.

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 13 - Operating Leases - Lessor

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 one of the leases is from September 15, 2012 through September 15, 2024. The second lease is from December 1, 2017 through April 3, 2024. The tenant of the third lease exercised its right to terminate the lease. The lease was terminated on September 30, 2021. 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 $478,000 and $576,000 for the years ended December 31, 2022 and 2021, respectively.

Note 13 - Operating Leases - Lessor (Continued)

Future minimum future rents as of December 31, 2022 for the next two years, and in the aggregate, are as follows:

Years Ending December 31	Amount
2023	$ 403,012
2024	209,191
Total	$ 612,203