
***RONALD MCDONALD HOUSE
CHARITIES OF DENVER, INC.***
*FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020*

Contents

	Page
Independent Auditors' Report	1 - 2
 Financial Statements	
Statement Of Financial Position.....	3
Statement Of Activities - 2021	4
Statement Of Activities - 2020	5
Statement Of Functional Expenses - 2021	6
Statement Of Functional Expenses - 2020	7
Statement Of Cash Flows.....	8
Notes To Financial Statements.....	9 - 25

Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities of Denver, Inc.
Denver, Colorado

Opinion

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

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

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Denver, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities Of Management For The Financial Statements

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

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

Auditors' Responsibilities For The Audit Of The Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of Denver, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Denver, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

RubinBrown LLP

May 18, 2022

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 352,548	\$ 303,019
Investments	11,280,092	8,526,202
Receivables:		
Net pledges	79,681	—
Contributions	235,903	178,952
Other	127,133	138,037
Prepaid expenses	179	17,637
Restricted investments	573,000	549,454
Total Current Assets	12,648,536	9,713,301
Beneficial Use Of Land	130,197	130,275
Property And Equipment		
Land	167,000	167,000
Buildings and improvements	27,236,148	27,091,945
Furnishings and equipment	407,613	600,406
	27,810,761	27,859,351
Less: Accumulated depreciation	8,628,078	8,101,965
Net Property And Equipment	19,182,683	19,757,386
Total Assets	\$ 31,961,416	\$ 29,600,962

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 182,836	\$ 210,965
Net Assets		
Without donor restrictions:		
Undesignated	8,946,059	6,028,167
Property and equipment	19,182,683	19,757,386
Board-designated capital fund	2,931,641	2,831,641
Total Without Donor Restrictions	31,060,383	28,617,194
With donor restrictions	718,197	772,803
Total Net Assets	31,778,580	29,389,997
Total Liabilities And Net Assets	\$ 31,961,416	\$ 29,600,962

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 2,225,628	\$ 76,487	\$ 2,302,115
In-kind contributions	484,330	—	484,330
Grant revenue	248,259	—	248,259
Guest donations	30,459	—	30,459
Special events revenue	676,512	—	676,512
Room revenue	1,436,656	—	1,436,656
Net assets released from restrictions	144,085	(144,085)	—
Total Operating Revenues, Gains And Other Support	5,245,929	(67,598)	5,178,331
Operating Expenses			
Program services:			
Ronald McDonald Houses	2,830,602	—	2,830,602
Family Room	17,687	—	17,687
Total Program Services	2,848,289	—	2,848,289
Supporting services:			
Management and general	522,414	—	522,414
Fundraising	600,612	—	600,612
Cost of direct benefits to donors	5,466	—	5,466
Total Supporting Services	1,128,492	—	1,128,492
Total Operating Expenses	3,976,781	—	3,976,781
Change In Net Assets Relating To Operations	1,269,148	(67,598)	1,201,550
Nonoperating Income			
Investment gain	1,176,572	12,992	1,189,564
Unallocated payments to RMHC Global	(2,531)	—	(2,531)
Total Nonoperating Income And Expenses	1,174,041	12,992	1,187,033
Change In Total Net Assets	2,443,189	(54,606)	2,388,583
Net Assets At Beginning Of Year	28,617,194	772,803	29,389,997
Net Assets At End Of Year	\$ 31,060,383	\$ 718,197	\$ 31,778,580

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 1,731,995	\$ 114,248	\$ 1,846,243
In-kind contributions	546,295	—	546,295
Grant revenue	272,601	—	272,601
Guest donations	59,495	—	59,495
Special events revenue	385,980	—	385,980
Room revenue	867,314	—	867,314
Net assets released from restrictions	368,257	(368,257)	—
Total Operating Revenues, Gains And Other Support	4,231,937	(254,009)	3,977,928
Operating Expenses			
Program services:			
Ronald McDonald House	2,595,185	—	2,595,185
Care mobile	6,730	—	6,730
Family Room program	8,165	—	8,165
Total Program Services	2,610,080	—	2,610,080
Supporting services:			
Management and general	612,477	—	612,477
Fundraising	361,714	—	361,714
Cost of direct benefits to donors	20,948	—	20,948
Total Supporting Services	995,139	—	995,139
Total Operating Expenses	3,605,219	—	3,605,219
Change In Net Assets Relating To Operations	626,718	(254,009)	372,709
Nonoperating Income And Expenses			
Investment gain	698,769	10,892	709,661
Unallocated payments to RMHC Global	(7,243)	—	(7,243)
Total Nonoperating Income And Expenses	691,526	10,892	702,418
Change In Total Net Assets	1,318,244	(243,117)	1,075,127
Net Assets At Beginning Of Year	27,298,950	1,015,920	28,314,870
Net Assets At End Of Year	\$ 28,617,194	\$ 772,803	\$ 29,389,997

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2021

	Program Services			Supporting Services					Total Expenses
	Ronald McDonald House	Family Room Program	Total Program Services	Management And General	Fund-Raising	Direct Benefits To Donors	Cost Of Supporting Services	Total	
Salaries	\$ 647,045	\$ 14,248	\$ 661,293	\$ 203,545	\$ 243,817	\$ —	\$ 447,362	\$ 1,108,655	
Payroll taxes	45,408	1,184	46,592	27,725	16,916	—	44,641	91,233	
Benefits	71,845	509	72,354	74,328	23,002	—	97,330	169,684	
Miscellaneous professional services	324,753	—	324,753	38,708	85,655	—	124,363	449,115	
Advertising	—	—	—	—	19,087	—	19,087	19,087	
Dues, subscriptions and licenses	6,756	—	6,756	2,923	7,087	—	10,010	16,766	
Depreciation	756,876	—	756,876	17,803	2,429	—	20,232	777,108	
Rent expense	6,617	—	6,617	—	—	—	—	6,617	
Utilities	148,649	—	148,649	(39)	563	—	524	149,173	
Insurance	103,640	—	103,640	6,662	421	—	7,083	110,723	
Supplies and printing	43,405	1,251	44,656	2,775	10,227	—	13,002	57,658	
Repairs and maintenance	160,922	—	160,922	(34)	—	—	(34)	160,888	
Event expenses	—	—	—	—	75,000	5,466	80,466	80,466	
Telephone and postage	27,734	—	27,734	4,366	6,208	—	10,574	38,308	
Volunteers and donors	5,065	495	5,560	319	621	—	940	6,500	
Donated food, supplies, and activities	304,266	—	304,266	—	—	—	—	304,265	
Donated services	87,813	—	87,813	48,918	3,602	—	52,520	140,333	
COVID-19 related expense	1,302	—	1,302	—	—	—	—	1,302	
Other	88,506	—	88,506	94,415	105,977	—	200,392	288,900	
Total Expenses	\$ 2,830,602	\$ 17,687	\$ 2,848,289	\$ 522,414	\$ 600,612	\$ 5,466	\$ 1,128,492	\$ 3,976,781	

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2020

	Program Services				Supporting Services					Total Expenses
	Ronald McDonald House	Care Mobile	Family Room Program	Total Program Services	Management And General	Fund- Raising	Direct	Cost Of Benefits To Donors	Total Supporting Services	
Salaries	\$ 595,904	\$ —	\$ 5,214	\$ 601,118	\$ 209,920	\$ 228,142		\$ —	\$ 438,062	\$ 1,039,180
Payroll taxes	40,840	—	478	41,318	29,416	12,580		—	41,996	83,314
Benefits	84,395	—	399	84,794	45,578	22,268		—	67,846	152,640
Miscellaneous professional services	292,989	—	—	292,989	37,815	37,956		—	75,771	368,760
Advertising	—	—	—	—	—	8,000		—	8,000	8,000
Dues, subscriptions and licenses	985	—	—	985	6,592	3,389		—	9,981	10,966
Depreciation	744,904	—	—	744,904	16,579	2,207		—	18,786	763,690
Rent expense	6,616	—	—	6,616	—	—		—	—	6,616
Utilities	134,360	—	—	134,360	7,085	515		—	7,600	141,960
Insurance	88,648	—	272	88,920	6,336	2,464		—	8,800	97,720
Supplies and printing	24,387	—	1,619	26,006	3,247	8,643		—	11,890	37,896
Repairs and maintenance	158,901	—	42	158,943	343	379		—	722	159,665
Event expenses	—	—	—	—	—	—		20,948	20,948	20,948
Telephone and postage	30,738	—	56	30,794	4,121	5,316		—	9,437	40,231
Volunteers and donors	2,296	—	(54)	2,242	(230)	951		—	721	2,963
Donated food, supplies, and activities	324,799	—	—	324,799	—	—		—	—	324,799
Donated services	2,055	—	—	2,055	156,634	—		—	156,634	158,689
COVID-19 related expense	5,369	—	—	5,369	—	—		—	—	5,369
Other	56,999	6,730	139	63,868	89,041	28,904		—	117,945	181,813
Total Expenses	\$ 2,595,185	\$ 6,730	\$ 8,165	\$ 2,610,080	\$ 612,477	\$ 361,714		\$ 20,948	\$ 995,139	\$ 3,605,219

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31	
	2021	2020
Cash Flows From Operating Activities		
Changes in net assets	\$ 2,388,583	\$ 1,075,127
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	777,108	763,690
Net realized and unrealized gain on investments	(981,556)	(558,752)
Reinvested dividends and capital gains	(208,008)	(150,909)
Net discount amortization	78	78
Changes in assets and liabilities:		
Contributions receivable	(56,951)	45,366
Pledges receivable	(79,681)	29,646
Other receivables	10,904	(24,461)
Prepaid expenses	17,458	(7,246)
Accounts payable and accrued liabilities	(28,129)	(48,303)
Net Cash Provided By Operating Activities	1,839,806	1,124,236
Cash Flows From Investing Activities		
Purchases of investments	(5,720,398)	(7,311,090)
Proceeds from sale of investments	4,132,526	5,819,901
Purchases of property and equipment	(202,405)	(190,277)
Net Cash Used In Investing Activities	(1,790,277)	(1,681,466)
Net Change In Cash, Cash Equivalents And Restricted Cash	49,529	(557,230)
Cash And Cash Equivalents At Beginning Of Year	303,019	860,249
Cash And Cash Equivalents At End Of Year	\$ 352,548	\$ 303,019

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 And 2020

1. Summary Of Significant Accounting Policies

General

Ronald McDonald House Charities of Denver, Inc. (RMHC-Denver) is a not-for-profit corporation established to operate facilities (the Ronald McDonald Houses) in Denver and Aurora, Colorado. Ronald McDonald Houses provide temporary housing for the families of seriously ill children while their children receive treatment at nearby hospitals.

RMHC-Denver's Ronald McDonald Family Room program offers families a place to rest and regroup at Denver area hospitals. Services at the Ronald McDonald Family Room include a kitchen area, shower facilities, laundry facilities, internet access, a seating area and a quiet room.

RMHC-Denver's activities are supported primarily through contributions, special events and room revenue.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Information regarding the financial position and activities of RMHC-Denver is reported based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as net assets with donor restrictions and net assets without donor restrictions.

Revenue Recognition

Contributions And Contributions Receivable

Unconditional promises to give are recognized as revenue in the period the promise is made. Contributions, grants and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenses or deliverables, as defined in each contract, are met. Funds received, but not yet earned, are contract liabilities and reported as deferred revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, RMHC-Denver records such disallowance at the time the final assessment is made.

Contributions receivable are recorded at net realizable value if expected to be collected within one year and at net present value if expected to be collected in more than one year.

Contributed Property And Services

Contributed property and equipment are recorded at fair value on the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as increases in net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as increases in net assets without donor restrictions when placed in service. Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values on the date of donation. In-kind contributions for the years ended December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Services	\$ 140,333	\$ 181,281
Food, supplies and activities	304,266	248,861
Auction items	39,731	116,153
Total In-Kind Contributions	\$ 484,330	\$ 546,295

RMHC-Denver pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist RMHC-Denver with specific programs and activities. RMHC-Denver received 2,418 and 9,646 volunteer hours in 2021 and 2020, respectively. No amounts have been reflected in the accompanying financial statements for volunteers' donated services unless they meet the criteria of recognition under generally accepted accounting principles.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

Sponsorship Revenue

Sponsorships represent contributions primarily, as the value provided to sponsors is generally not commensurate with the sponsorship payments. Further, as there is no explicit or implicit right of return, under the guidance provided by Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, sponsorships are generally considered to be unconditional and thus are accounted for similar to contributions, recorded as revenue with donor restriction (a time-based restriction) and released to revenue without donor restriction at the time the sponsored event occurs.

Special Event Revenue - Ticket Sales

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

The following table is a disaggregation of the timing of recognition of those revenues that are subject to Topic 606 (special events and room revenue):

	<u>2021</u>	<u>2020</u>
Services rendered over time	\$ 1,436,656	\$ 867,314
Services recognized at a point in time	676,512	385,980
	<u>\$ 2,113,168</u>	<u>\$ 1,253,294</u>

Shown in the accompanying statement of activities as:

	<u>2021</u>	<u>2020</u>
Special events revenue	\$ 676,512	\$ 385,980
Room revenue	1,436,656	867,314
	<u>\$ 2,113,168</u>	<u>\$ 1,253,294</u>

All other revenue sources on the statement of activities are not subject to the provisions of Topic 606.

Cash And Cash Equivalents

For purposes of the statement of cash flows, RMHC-Denver considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements *(Continued)*

Investments

Investments in marketable securities and certificates of deposit with readily determinable fair values are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Property And Equipment

Furniture, fixtures and equipment are carried at cost and depreciated over their estimated useful lives of 3 to 15 years for furniture and equipment and 40 years for buildings. Capitalization of expenditures is based on costs and useful lives. Donated property and equipment is recorded as estimated fair value at the date of donation. Repairs and maintenance are charged to operations when incurred. Property is capitalized only if it has a cost greater than \$5,000 per asset invoice or group. Depreciation expense is computed using the straight-line method over the estimated useful lives.

RMHC-Denver evaluates its long-lived assets for any events or changes in circumstances that indicate that the carrying amount of such assets may not be recoverable. RMHC-Denver evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time, such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. At December 31, 2021 and 2020, no impairment losses have been recognized.

Concentrations Of Credit Risk

Financial instruments which potentially subject RMHC-Denver to concentrations of credit risk consist principally of cash, cash equivalents and investments.

RMHC-Denver maintains cash balances with multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. RMHC-Denver believes it is not exposed to any significant credit risk on its cash balances.

Investment managers that are utilized by RMHC-Denver are engaged by RMHC-Denver's Board of Directors to make investments that are monitored by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of RMHC-Denver.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

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 financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Expenses directly attributable to a specific functional area of RMHC-Denver are reported as expenses of those functional areas. Certain other costs that benefit multiple functional areas have been allocated across programs and supporting services as determined by management on an equitable basis.

The allocated expenses, and their method of allocation, are as follows:

<u>Expense</u>	<u>Method Of Allocation</u>
Salaries and benefits	Estimates of time and effort
Depreciation	Square footage
Utilities	Square footage
Insurance	Square footage
Volunteers and donors	Estimates of time and effort
Professional services	Estimates of time and effort

Net Assets

Net assets, operating revenues, gains and other support and nonoperating income are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- ***Net Assets Without Donor Restrictions*** - Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, certain funds to be used at the board's discretion.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

- **Net Assets With Donor Restrictions** - Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Contributions restricted by donors are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions expire in the same year in which the contributions were received are reported at gross in the statement of activities as contributions with donor restrictions and corresponding net assets released from restrictions.

Income Taxes

RMHC-Denver has received a determination letter from the Internal Revenue Service for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax liability was recorded for the years ended December 31, 2021 or 2020.

Advertising And Promotion

RMHC-Denver's advertising and promotion expenses cover the purchase of airtime to conduct the annual Radiothon fundraiser and to promote giving to the organization through other radio, print and online magazine advertising. The purchase of the airtime is expensed as incurred. During 2021 and 2020, advertising and promotion costs totaled \$19,087 and \$8,000, respectively.

2. Availability And Liquidity

RMHC-Denver strives to maintain liquid financial assets sufficient to cover one year of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other marketable investments.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

The following table reflects RMHC-Denver's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include a board-designated fund that is intended to fund maintenance and capital needs of the houses, as further discussed in Note 11. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions.

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 352,548	\$ 303,019
Contributions, pledges and other receivable	442,717	316,989
Investments	11,853,092	9,075,656
Total Financial Assets	12,648,357	9,695,664
Less amounts not available to be used within one year:		
Net assets with donor restrictions	718,197	772,803
Less net assets with purpose or time restrictions expected to be met in less than one year	(41,750)	(31,308)
	676,447	741,495
Board-designated reserve	2,931,641	2,831,641
Total Amounts Not Available To Be Used Within One Year	3,608,088	3,573,136
Financial Assets Available To Meet General Expenditures Over The Next 12 Months	\$ 9,040,269	\$ 6,122,528

3. Restricted Investments

Restricted investments are restricted to the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Coca-Cola purchases	\$ 26,750	\$ —
Permanent endowment (Notes 7 and 8)	546,250	546,250
Other	—	3,204
Total Restricted Investments	\$ 573,000	\$ 549,454

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

4. Investments

RMHC-Denver's investments, at fair value (see Note 12), consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Certificates of deposit	\$ —	\$ 991,476
Mutual funds:		
Bond funds	3,925,547	3,247,325
Equity funds	7,207,444	4,634,252
Cash held for investment	720,101	202,603
Total Investments	\$ 11,853,092	\$ 9,075,656

Investment gain consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Net unrealized gain on investments	\$ 915,321	\$ 618,014
Net realized gain on sale of investments	66,235	(59,262)
Interest and dividend income	208,008	150,909
Total Investment Return	\$ 1,189,564	\$ 709,661

5. Pledges And Contributions Receivable

RMHC-Denver's gross pledges receivable of \$79,681 and \$1,640 at December 31, 2021 and 2020, respectively, consist of pledges of support for general operations. Management recorded no allowance for doubtful accounts for the year ended December 31, 2021. Management recorded an allowance for doubtful accounts of \$1,640 for the year ended December 31, 2020, which is netted against the gross pledges receivable on the statement of financial position. Additionally, the contributions receivable of \$235,903 at December 31, 2021 consists of contributions pledged in 2021 relating to 2020 fundraising efforts. The contributions and pledges receivable are due in less than one year.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

6. Other Receivables

RMHC-Denver's Medicaid receivable of \$106,620 and \$110,416 consists of billings for stays in 2021 and 2020, respectively. The Medicaid receivables are due in less than one year. The other remaining receivable related to canister collections amounted to \$20,513 and \$27,621 as of December 31, 2021 and 2020, respectively.

7. Net Assets With Donor Restrictions

RMHC-Denver's net assets with donor restrictions consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose or future period:		
Pledges and contributions receivable	\$ 15,000	\$ 66,370
Coca-Cola purchases	26,750	—
Aurora land use	130,197	130,275
Other	—	29,908
Subject to the spending policy and appropriation:		
Investment held in perpetuity, the income of which is expendable to support operating expenses of RMHC-Denver	546,250	546,250
Total Net Assets With Donor Restrictions	\$ 718,197	\$ 772,803

Net assets released from restrictions, resulting from RMHC-Denver incurring expenditures satisfying the related restricted purposes or with the passage of time, were as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished	\$ 44,395	\$ 82,149
Time restrictions expired	99,690	286,108
	\$ 144,085	\$ 368,257

8. Endowment

RMHC-Denver's net assets with donor restrictions includes a donor-restricted endowment fund established for the operating expenses of RMHC-Denver. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC-Denver follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, issued by Financial Accounting Standards Board. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

RMHC-Denver has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC-Denver classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by RMHC-Denver in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, RMHC-Denver considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of RMHC-Denver and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other RMHC-Denver resources
- (7) The investment policies of RMHC-Denver

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

There were no changes in the restricted portion of endowment net assets for the years ended December 31, 2021 and 2020. As of December 31, 2021 and 2020, the balance of the restricted portion of endowment net assets was \$546,250.

Funds With Deficiencies

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 UPMIFA requires RMHC-Denver to retain as a fund of perpetual duration. At December 31, 2021 and 2020, there was no such deficiency.

Return Objectives And Risk Parameters

RMHC-Denver 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments in income-producing instruments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves and fit within RMHC-Denver's preference of acceptable principal and interest risk.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC-Denver 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-Denver targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

RMHC-Denver has a policy of appropriating for distribution each year a prudent amount for the operating expenses of RMHC-Denver. This policy applies to restricted and unrestricted funds unless those funds have their own distribution requirements. In establishing the distribution policy, RMHC-Denver considers the long-term expected return on its endowment. This is consistent with RMHC-Denver's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In determining the annual distribution to RMHC-Denver for operating expenses, the Board of Directors may make an exception to the distribution policy.

9. Leases

In 2006, RMHC-Denver entered into a lease agreement with HealthONE, whereby RMHC-Denver would lease certain land from HealthONE. The initial term of the lease was for a 99-year term that ends in 2105, with an aggregate annual base rent of \$1. The fair value of the lease at the time of inception was approximately \$655,000. In connection with this lease agreement, RMHC-Denver discounted the value of the 99-year initial term of the lease and recorded a restricted contribution in 2014. The discount on the beneficial use of land was amortized by \$6,537 into contribution revenue with donor restrictions during both years ended December 31, 2021 and 2020. Additionally, for both years ended December 31, 2021 and 2020, \$6,616 of the restricted contribution was released from restriction as rent expense of \$6,616. As of December 31, 2021 and 2020, the value of the beneficial use of land was \$130,197 and \$130,275, respectively.

10. Savings Incentive Plan

Subject to Board approval, all active employees, full and part-time, receive a savings incentive benefit equal to 5% of their year-to-date earnings, commencing in the seventh month of continuous employment. RMHC-Denver contributions under this benefit totaled \$49,405 in 2021 and \$52,639 in 2020.

11. Board-Designated Funds

In March 2002, RMHC-Denver Board of Directors voted to establish a reserve for maintenance and to fund the designated reserve at the rate of \$1,000 per month plus interest. In August 2019, RMHC-Denver Board of Directors voted to establish a \$250,000 base of funding for this reserve, and will build the reserve at a rate of \$8,333 each month.

In August 2017, RMHC-Denver Board of Directors voted to establish a reserve for capital investment and to fund the reserve with \$2,500,000. At December 31, 2021 and 2020, the Board-designated funds totaled \$2,931,641 and \$2,831,641 respectively.

12. Fair Value Measurements

RMHC-Denver reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require RMHC-Denver to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes mutual funds, listed equities, listed derivatives and money market funds.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

No changes in the valuation methods were made during the years ended December 31, 2021 and 2020.

The following table summarizes the valuation of RMHC-Denver's investments on a recurring basis by the above fair value hierarchy levels:

	2021	Level 1	Level 2
Mutual funds:			
Bond funds:			
Low-duration institutional funds	\$ 500,701	\$ 500,701	\$ —
U.S. fixed income	2,349,578	2,349,578	—
Non-U.S. fixed income	1,075,268	1,075,268	—
Equity funds:			
U.S. large cap stock funds	5,044,426	5,044,426	—
EAFE stock funds	1,542,844	1,542,844	—
European large cap stock funds	429,261	429,261	—
Japanese large cap stock funds	99,837	99,837	—
Asia ex-Japan stock funds	78,326	78,326	—
Emerging market stock funds	12,750	12,750	—
Amount not subject to leveling (cash held for investment)	720,101	—	—
Total Investments	\$ 11,853,092	\$ 11,132,991	\$ —
	2020	Level 1	Level 2
Mutual funds:			
Bond funds:			
Low-duration institutional funds	\$ 1,418,353	\$ 1,418,353	\$ —
U.S. fixed income	1,064,024	1,064,024	—
Non-U.S. fixed income	764,948	764,948	—
Equity funds:			
U.S. large cap stock funds	3,088,935	3,088,935	—
EAFE stock funds	1,009,885	1,009,885	—
European large cap stock funds	200,453	200,453	—
Japanese large cap stock funds	97,489	97,489	—
Asia ex-Japan stock funds	49,881	49,881	—
Emerging market stock funds	187,609	187,609	—
Certificates of deposit	991,476	—	991,476
Amount not subject to leveling (cash held for investment)	202,603	—	—
Total Investments	\$ 9,075,656	\$ 7,881,577	\$ 991,476

13. Related Party Transactions

RMHC-Denver remits 25% of the proceeds from certain fundraising activities to RMHC Global. During the years ended December 31, 2021 and 2020, total donations to RMHC Global recognized were \$2,531 and \$7,243, respectively. As of December 31, 2021, RMHC-Denver had no outstanding amounts owed to RMHC Global. As of December 31, 2020, RMHC-Denver owed RMHC Global \$3,339. These amounts are included in accounts payable.

RMHC Global also makes grants to RMHC-Denver throughout the year. These amounts totaled \$306,921 and \$374,831 for the years ended December 31, 2021 and 2020, respectively.

14. Paycheck Protection Program Loans

RMHC-Denver received a loan in 2020 in the amount of \$270,900 that is part of the Paycheck Protection Program (the PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and administered by the U.S. Small Business Administration (the SBA). In accordance with the requirements of the CARES Act, RMHC-Denver believes that it has used the proceeds from the loan exclusively for qualified expenses under the PPP, as further detailed in the CARES Act and applicable guidance issued by the SBA, and the loan would be forgiven in full, and therefore will treat the loan as a government grant. As U.S. generally accepted accounting principles do not contain guidance on the accounting for government grants, RMHC-Denver is following the guidance in International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance* (IAS 20). Under the provisions of IAS 20, a forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. Under IAS 20, government grants are recorded as earnings as required activities are undertaken.

In December 2020, RMHC-Denver applied for forgiveness of the loan and was granted forgiveness of the full balance of \$270,900, which is equal to the sum of qualified expenses under the PPP incurred during the covered period following initial disbursement. Accrued interest of \$1,701 was also forgiven.

RMHC-Denver received an additional loan in 2021 in the amount of \$246,962 that is part of the second draw of the PPP established under the CARES Act and administered by the SBA. In accordance with the requirements of the CARES Act, RMHC-Denver believes that it has used the proceeds from the loan exclusively for qualified expenses under the PPP, as further detailed in the CARES Act and applicable guidance issued by the SBA, and the loan would be forgiven in full, and therefore will treat the loan as a government grant. As U.S. generally accepted accounting principles do not contain guidance on the accounting for government grants, RMHC-Denver is following the guidance in IAS 20. Under the provisions of IAS 20, a forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. Under IAS 20, government grants are recorded as earnings as required activities are undertaken.

In August 2021, RMHC-Denver applied for forgiveness of the loan and was granted forgiveness of the full balance of \$246,962, which is equal to the sum of qualified expenses under the PPP incurred during the covered period following initial disbursement. Accrued interest of \$1,297 was also forgiven. Accordingly, RMHC-Denver has recorded grant income for the full amount in the statement of activities for 2021.

15. Contingencies

From time to time, RMHC-Denver may be subject to claims and other contingent liabilities that arise in the ordinary course of operations. It is the opinion of management that the disposition or ultimate resolution of such claims or contingent liabilities will not have a material adverse effect on the statements of financial position, activities, functional expense or cash flows.

16. Risks And Uncertainties

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus, also known as COVID-19, as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to RMHC-Denver and its financial results. The coronavirus outbreak was largely responsible for an 18% decrease in its operating revenue, gains and other support for the year ended December 31, 2020. RMHC-Denver’s room census is gradually increasing to historical rates in 2021.

17. Subsequent Events

Management evaluated subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors’ Report.