

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**FINANCIAL REPORT**

**December 31, 2021**



**Ronald McDonald  
House Charities®**  
Central Indiana

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ronald McDonald House  
Charities of Central Indiana, Inc.

### Opinion

We have audited the financial statements of Ronald McDonald House Charities of Central Indiana, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of its operations 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 Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern for 12 months beyond the date of this report.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

## INDEPENDENT AUDITOR'S REPORT - continued

### **Auditor's Responsibilities for the Audit of the Financial Statements** - continued

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 GAAS, we:

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

*Pile CPAs*

Indianapolis, Indiana  
July 19, 2022

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2021 and 2020

	<b><u>2021</u></b>	<b><u>2020</u></b>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 1,166,719	\$ 947,183
Contributions and grants receivable	274,688	57,211
Prepaid expenses	<u>45,923</u>	<u>33,736</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>1,487,330</u></b>	<b><u>1,038,130</u></b>
<b><u>INVESTMENTS AND OTHER ASSETS</u></b>		
Investments, at fair value	12,039,166	11,291,362
Investments in limited liability companies	431,437	382,992
Property and equipment, net	<u>1,527,071</u>	<u>899,082</u>
	<u>13,997,674</u>	<u>12,573,436</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,485,004</u></b>	<b><u>\$ 13,611,566</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 85,195	\$ 230,575
Accrued payroll	45,240	35,183
Deferred revenue	<u>31,500</u>	<u>13,034</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>161,935</u></b>	<b><u>278,792</u></b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions		
Undesignated	11,020,734	8,936,179
Board designated for capital expenditures	<u>2,778,541</u>	<u>2,778,541</u>
	<u>13,799,275</u>	<u>11,714,720</u>
With donor restrictions		
Purpose restrictions	1,027,544	1,121,804
Perpetual in nature	<u>496,250</u>	<u>496,250</u>
	<u>1,523,794</u>	<u>1,618,054</u>
<b>TOTAL NET ASSETS</b>	<b><u>15,323,069</u></b>	<b><u>13,332,774</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,485,004</u></b>	<b><u>\$ 13,611,566</u></b>

See Notes to Financial Statements.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**STATEMENTS OF ACTIVITIES**

Year ended December 31, 2021

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b><u>REVENUES AND SUPPORT</u></b>			
Contributions and pledges	\$ 1,579,678	\$ 1,500	\$ 1,581,178
Grants	295,391	455,285	750,676
Bequests	83,644	-	83,644
In-kind contributions	472,622	-	472,622
	<u>2,431,335</u>	<u>456,785</u>	<u>2,888,120</u>
Specials events:			
Special event revenue, includes			
in-kind contributions	320,183	-	320,183
Less direct benefit costs	104,203	-	104,203
	<u>215,980</u>	<u>-</u>	<u>215,980</u>
Room fees	56,457	-	56,457
Investment income (loss):			
Interest and dividends, net of fees	420,689	71,515	492,204
Unrealized gain (loss)	342,037	101,337	443,374
Realized gain (loss)	128,674	-	128,674
Other revenue	6,184	-	6,184
LLC distribution in excess of basis	270,241	-	270,241
Net Assets released from restrictions	723,897	(723,897)	-
	<u>1,948,179</u>	<u>(551,045)</u>	<u>1,397,134</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<b><u>4,595,494</u></b>	<b><u>(94,260)</u></b>	<b><u>4,501,234</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Program services	1,602,990	-	1,602,990
Supporting activities	907,949	-	907,949
<b>TOTAL EXPENSES</b>	<b><u>2,510,939</u></b>	<b><u>-</u></b>	<b><u>2,510,939</u></b>
<b>CHANGE IN NET ASSETS</b>	2,084,555	(94,260)	1,990,295
<b><u>NET ASSETS</u></b>			
Beginning of year	<u>11,714,720</u>	<u>1,618,054</u>	<u>13,332,774</u>
End of year	<b><u>\$ 13,799,275</u></b>	<b><u>\$ 1,523,794</u></b>	<b><u>\$ 15,323,069</u></b>

See Notes to Financial Statements.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**STATEMENTS OF ACTIVITIES** - continued

Year ended December 31, 2020

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b><u>REVENUES AND SUPPORT</u></b>			
Contributions and pledges	\$ 1,357,742	\$ -	\$ 1,357,742
Grants	465,990	65,000	530,990
Bequests	132,629	-	132,629
In-kind contributions	111,641	-	111,641
	<u>2,068,002</u>	<u>65,000</u>	<u>2,133,002</u>
Specials events:			
Special event revenue, includes			
in-kind contributions	153,915	-	153,915
Less direct benefit costs	36,799	-	36,799
	<u>117,116</u>	<u>-</u>	<u>117,116</u>
Room fees	41,359	-	41,359
Investment income (loss):			
Interest and dividends, net of fees	262,063	38,745	300,808
Unrealized gain (loss)	808,755	147,609	956,364
Realized gain (loss)	112,006	1,027	113,033
Other revenue	7,218	-	7,218
LLC distribution in excess of basis	-	-	-
Net Assets released from restrictions	93,089	(93,089)	-
	<u>1,324,490</u>	<u>94,292</u>	<u>1,418,782</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<b><u>3,509,608</u></b>	<b><u>159,292</u></b>	<b><u>3,668,900</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Program services	1,514,628	-	1,514,628
Supporting activities	767,176	-	767,176
<b>TOTAL EXPENSES</b>	<b><u>2,281,804</u></b>	<b><u>-</u></b>	<b><u>2,281,804</u></b>
<b>CHANGE IN NET ASSETS</b>	1,227,804	159,292	1,387,096
<b><u>NET ASSETS</u></b>			
Beginning of year	<u>10,486,916</u>	<u>1,458,762</u>	<u>11,945,678</u>
End of year	<b><u>\$ 11,714,720</u></b>	<b><u>\$ 1,618,054</u></b>	<b><u>\$ 13,332,774</u></b>

See Notes to Financial Statements.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended December 31, 2021

	<u>Program Services</u>			<u>Supporting Activities</u>			<u>Total</u>
	<u>House Operations</u>	<u>Family Rooms</u>	<u>Total Program</u>	<u>Mgmt. and General</u>	<u>Fund-Raising</u>	<u>Total Supporting</u>	
Advertising expense	\$ 231	\$ 9,778	\$ 10,009	\$ 108	\$ 43,474	\$ 43,582	\$ 53,591
Bank and merchant fees	134	-	134	7,264	15,003	22,267	22,401
Benefits	89,447	2,025	91,472	22,969	36,610	59,579	151,051
Community Grants	-	-	-	-	-	-	-
Depreciation and amortization	187,618	20,393	208,011	-	-	-	208,011
Dues and subscriptions	5,278	-	5,278	2,415	7,202	9,617	14,895
Guest services	31,323	2,412	33,735	354	17	371	34,106
In-kind expenses	140,172	-	140,172	-	-	-	140,172
Insurance	21,151	2,588	23,739	2,694	2,198	4,892	28,631
Laundry and housekeeping	98,896	-	98,896	-	-	-	98,896
Maintenance and contract services	283,024	7,649	290,673	20,631	5,922	26,553	317,226
Other expenses	7,570	20	7,590	3,256	712	3,968	11,558
Other personnel costs	2,328	295	2,623	3,642	498	4,140	6,763
Payroll processing costs	2,411	1,704	4,115	4,298	1,738	6,036	10,151
Payroll taxes	41,208	5,058	46,266	9,836	20,426	30,262	76,528
Postage and shipping	935	86	1,021	5,524	179,309	184,833	185,854
Printing and publications	496	373	869	-	17,555	17,555	18,424
Professional fees	1,000	500	1,500	98,417	1,000	99,417	100,917
Salaries and wages	536,246	58,308	594,554	126,656	257,970	384,626	979,180
Scholarships	-	-	-	-	-	-	-
Supplies	24,694	5,974	30,668	1,005	2,439	3,444	34,112
Travel and meetings	797	217	1,014	2,569	1,162	3,731	4,745
Utilities	9,208	1,443	10,651	1,817	1,259	3,076	13,727
	<u>\$ 1,484,167</u>	<u>\$ 118,823</u>	<u>\$ 1,602,990</u>	<u>\$ 313,455</u>	<u>\$ 594,494</u>	<u>\$ 907,949</u>	<u>\$ 2,510,939</u>

See Notes to Financial Statements.



**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES** - continued

Year ended December 31, 2020

	<u>Program Services</u>			<u>Supporting Activities</u>			<u>Total</u>
	<u>House Operations</u>	<u>Family Rooms</u>	<u>Total Program</u>	<u>Mgmt. and General</u>	<u>Fund-Raising</u>	<u>Total Supporting</u>	
Advertising expense	\$ 44	\$ -	\$ 44	\$ 5,957	\$ 52,551	\$ 58,508	\$ 58,552
Bank and merchant fees	10	-	10	14,113	5,477	19,590	19,600
Benefits	64,093	353	64,446	54,656	30,185	84,841	149,287
Community Grants	60,500	-	60,500	-	-	-	60,500
Depreciation and amortization	200,726	2,997	203,723	-	-	-	203,723
Dues and subscriptions	3,135	-	3,135	3,379	3,024	6,403	9,538
Guest services	18,536	58	18,594	-	-	-	18,594
In-kind expenses	80,056	-	80,056	4,155	-	4,155	84,211
Insurance	20,743	2,420	23,163	2,906	1,331	4,237	27,400
Laundry and housekeeping	104,253	-	104,253	-	-	-	104,253
Maintenance and contract services	217,563	1,415	218,978	24,894	16,483	41,377	260,355
Other expenses	6,492	(23)	6,469	6,530	17	6,547	13,016
Other personnel costs	1,907	123	2,030	1,946	345	2,291	4,321
Payroll processing costs	2,964	1,264	4,228	4,954	461	5,415	9,643
Payroll taxes	24,246	1,589	25,835	26,024	17,856	43,880	69,715
Postage and shipping	160	-	160	5,156	159,568	164,724	164,884
Printing and publications	239	430	669	3,161	2,391	5,552	6,221
Professional fees	7,110	2,240	9,350	24,503	2,175	26,678	36,028
Salaries and wages	489,448	124,836	614,284	152,075	132,159	284,234	898,518
Scholarships	47,500	-	47,500	-	-	-	47,500
Supplies	15,712	1,523	17,235	2,087	513	2,600	19,835
Travel and meetings	621	-	621	3,331	518	3,849	4,470
Utilities	9,221	124	9,345	1,437	858	2,295	11,640
	<u>\$ 1,375,279</u>	<u>\$ 139,349</u>	<u>\$ 1,514,628</u>	<u>\$ 341,264</u>	<u>\$ 425,912</u>	<u>\$ 767,176</u>	<u>\$ 2,281,804</u>

See Notes to Financial Statements.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**STATEMENTS OF CASH FLOWS**

Year ended December 31, 2021 and 2020

	<b><u>2021</u></b>	<b><u>2020</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 1,990,295	\$ 1,387,096
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	208,011	203,723
Unrealized (gain) loss on investments	(443,374)	(956,364)
Realized (gain) loss on investments	(128,674)	(113,033)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions and grants receivable	(217,477)	64,207
Prepaid expenses	(12,187)	4,833
Increase (decrease) in:		
Accounts payable and accrued expenses	(145,380)	189,428
Accrued payroll	10,057	(391)
Deferred revenue	18,466	13,034
Net cash provided by (used in) operating activities	<u>1,279,737</u>	<u>792,533</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(836,000)	(203,879)
Purchase of investments	(985,255)	(654,122)
Proceeds from sale of investments	809,499	472,618
Capital contributions in limited liability companies	(300,000)	(15,000)
Distributions from investment in limited liability companies	251,555	17,626
Net cash provided by (used in) investing activities	<u>(1,060,201)</u>	<u>(382,757)</u>
Increase (decrease) in cash and cash equivalents	219,536	409,776
<b><u>CASH</u></b>		
Beginning of year	<u>947,183</u>	<u>537,407</u>
End of year	<u>\$ 1,166,719</u>	<u>\$ 947,183</u>
<b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>		
In-kind contributions	<u>\$ 493,779</u>	<u>\$ 122,212</u>

See Notes to Financial Statements.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The mission of Ronald McDonald House Charities of Central Indiana, Inc. (the "Organization") is to provide a supportive home-away-from-home for families of children receiving medical care at Riley Hospital for Children at IU Health and other area hospitals. Today we operate one Ronald McDonald House as well as two Ronald McDonald Family Rooms, both of which are located within Riley Hospital for Children at Indiana University Health. Since 1982, our organization has provided comfort and care to families when they need it most - when their child is sick or injured and receiving care in an Indianapolis-area hospital. The Organization is a mission-drive, volunteer-support organization, with a network of more than 200 dedicated volunteers supporting our three facilities. Our House offers overnight accommodations for 51 families, while our Family Rooms provide rest and respite to families just steps away from their children. The Organization's main source of revenue is contributions.

A summary of the Organization's significant accounting policies follows:

A. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

B. Basis of Presentation

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net Assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

C. Cash

The Organization's cash consists of checking and savings accounts with two financial institutions. The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

D. Investments

Investments consist of money market funds, mutual funds, exchange-traded funds, and equity securities. The Organization accounts for investments with readily determinable fair values in the statement of financial position at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Organization's financial statements.

E. Contributions and Grants Receivable

Contributions and grants receivable consists of amounts management expects to collect from donors and grantors, and are reported at net realizable value. All amounts are expected to be collected within one year, and none are considered uncollectible as of the year ended December 31, 2021 and 2020.

F. Property and Equipment

Property and equipment are stated at cost. Donated property and equipment is recorded at fair value. The Organization's capitalization policy is \$1,000 for assets purchased with an estimated useful life of 3 years or more. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Expenditures for property and equipment and for renewals or betterments which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Projects in progress are not depreciated until the asset is placed into service.

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying value may not be fully recoverable. If impairment is present, the carrying value of the impaired assets are reduced to its fair value. During the years ended December 31, 2021 and 2020, there was no impairment loss recognized on long-lived assets.

G. Deferred Revenue

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

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

H. Support and Revenue

The Organization receives support from private contributions and grants, and recognizes this support when cash or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions and grants recognized are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

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.

I. In-kind Contributions

In addition to receiving cash contributions, the Organization received in-kind contributions of goods from various donors totaling \$493,779 and \$122,212 for the years ended December 31, 2021 and 2020, respectively.

In-kind contributions of goods consisted mainly of household products and supplies, linens, tickets to professional sporting and entertainment events for guests, video games, TV's and DVD players, toys, nonperishable food items and canned goods. In-kind contributions are reflected in the accompanying statement of activities at their estimated values at date of receipt.

J. Volunteer Services

Contributions of services are recognized if the services received (a) create or enhance a nonfinancial asset, or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if they were not donated. Donated services for operations reflected in the statement of activities for 2021 and 2020 was \$10,996 and \$33,359, respectively.

The Organization utilizes significant volunteer services to help support the staff and guests of the Organization by providing office assistance, light housekeeping and maintenance. The Organization tracks volunteer services and uses a national service rating system to estimate their value. The estimated value of volunteer services utilized by the Organization for the year ended December 31, 2021 and 2020 was \$209,712 and \$142,718, respectively, and have not been reflected in the financial statements. If the value of volunteer services had been recorded by the Organization, in-kind contribution revenue and program expenses would have been \$209,712 and \$142,718 higher than reported as of December 31, 2021 and 2020, respectively.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

**K. Functional Expenses**

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified based on the actual direct expenditures and cost allocation based on estimates of time and usage by Organization personnel and programs.

**L. Tax Status**

The Organization is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been made.

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempt status and the taxability of any unrelated business income. The Organization believes these positions are sustainable. Although the Organization has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities.

**M. Use of Estimates**

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

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. Our concentrations due to grantor or contributor; concentrated revenue from particular programs, services or fund-raising events; and the market or geographic area in which the Organization conducts operations make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

N. Reclassifications

Certain prior year balances have been reclassified to conform with current year classifications and presentations.

O. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through July 19, 2022, which is the date the financial statements were available to be issued.

**NOTE 2 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

On August 28, 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, Fair Value Measurement (Topic 820), Changes to the Disclosure Requirements for Fair Value Measurement. The standard removes the following disclosure requirements from Topic 820, Fair Value Measurement: 1. The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. 2. The policy for timing of transfers between levels within the fair value hierarchy. 3. The valuation processes for Level 3 fair value measurements. 4. For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In addition and instead of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The Organization adopted all applicable provisions of this standard for the year ending December 31, 2020 which did not have a material impact on the financial statements.

**NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending December 31, 2022. The organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard will improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS** - continued

This standard will be effective for the organization for the year ending December 31, 2022. The Organization does not expect this ASU to have a significant impact on the Organization's financial statements.

**NOTE 4 LIQUIDITY AND AVAILABILITY**

The table below represents financial assets available for general expenditures within one year at December 31, 2021 and 2020:

Financial assets at year-end:	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash	\$ 1,166,719	\$ 947,183
Contribution and grants receivable	274,688	57,211
Investments	<u>12,039,166</u>	<u>11,291,362</u>
Total financial assets	<u>13,480,573</u>	<u>12,295,756</u>
Less amounts not available to be used within one year		
Investments held for endowments	(1,516,882)	(1,385,707)
Donor-imposed restrictions	(6,912)	(232,347)
Board-designated restrictions	<u>(2,778,541)</u>	<u>(2,778,541)</u>
Financial assets not available to be used within one year	<u>(4,302,335)</u>	<u>(4,396,595)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,178,238</u>	<u>\$ 7,899,161</u>

The Organization regularly monitors liquidity to meet its operating needs while at the same time maximizing investment of available funds. The Organization utilizes a number of sources including cash, line of credit and equity securities. See note 11 regarding the Organization's line of credit.

In analyzing resources available to meet general expenditures over a 12-month period the Organization considers all expenditures related to its ongoing activities of providing a home-away-from-home for families of children receiving medical care, funding smaller nonprofits supporting health, education, and well-being of children as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2021 and 2020.



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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 5 PREPAID OPERATING LEASES**

In September 1981, the Organization entered into a 25-year land lease with Indiana University. In consideration for the use of the land, the Organization transferred title and rights to the building constructed on the land to Indiana University. In 1997, the lease was transferred to IU Health (formerly Clarian Health) and was renewed through August 2026. Accordingly, the cost of the building constructed on the land and subsequent leasehold improvements have been recorded as a prepaid operating lease and reported under Property and Equipment in the Statement of Financial Position. The original cost of the building is amortized over the term of the lease using the straight-line method. Subsequent leasehold improvements are amortized on the straight-line method over the estimated useful lives of the improvements or the lease term remaining, whichever is less. Facility lease amortization for this lease included in the Statement of Activities was \$110,099 and \$128,017 for 2021 and 2020, respectively.

The Organization opened its expansion in Riley Hospital in March 2004. The Organization has signed a 15-year agreement with IU Health which provides that the ownership of all improvements vest in the Hospital and all moveable equipment and furnishings vest in the Organization when the term expires. The agreement is currently month-to-month.

The original cost of the expansion less the cost of the furnishings is amortized over the term of the agreement using the straight-line method. Amortization expense related to the construction of the expansion included in the Statement of Activities was \$8,461 and \$873 for 2021 and 2020, respectively.

**NOTE 6 INVESTMENTS**

Investments are presented in the financial statements at fair value. Investments at December 31, 2021 and 2020 are comprised of the following:

	<b>2021</b>		
	<b>Net</b>		
	<b>Unrealized</b>		
	<b>Cost</b>	<b>Gains (Losses)</b>	<b>Fair Value</b>
Money Market Funds	\$ 609,600	\$ -	\$ 609,600
Mutual Funds	6,851,201	1,118,588	7,969,789
Exchange-traded funds ("ETFs")	1,357,480	2,071,578	3,429,058
Equity securities	3,533	27,186	30,719
	<b>\$ 8,821,814</b>	<b>\$ 3,217,352</b>	<b>\$ 12,039,166</b>

**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 6 INVESTMENTS** - continued

	<b>2020</b>		
	<b>Net</b>		
	<b>Unrealized</b>		
	<b>Cost</b>	<b>Gains (Losses)</b>	<b>Fair Value</b>
Money Market Funds	\$ 225,748	\$ -	\$ 225,748
Mutual Funds	6,956,755	1,283,420	8,240,175
Exchange-traded funds ("ETFs")	1,357,469	1,464,785	2,822,254
Equity securities	151	3,034	3,185
	<b>\$ 8,540,123</b>	<b>\$ 2,751,239</b>	<b>\$ 11,291,362</b>

Net return on investments is as follows:

	<b>2021</b>	<b>2020</b>
Investment income, net of related expenses of \$34,687 and \$31,720, respectively	\$ 491,999	\$ 300,337
Unrealized gain (loss)	443,374	956,364
Realized gain (loss)	128,674	113,033
	<b>\$ 1,064,047</b>	<b>\$ 1,369,734</b>

**NOTE 7 INVESTMENTS IN LIMITED LIABILITY COMPANIES**

The Organization owns interests in various real estate partnerships. The ownership in each partnership is less than 1% and the investments are recorded at cost, less impairment, adjusted for observable price changes in orderly transactions for the identical or similar investments of the same issuer. Income recognized by the investor is limited to distributions received, except that distributions that exceed the Organization's share of earnings after the date of the investment are applied to reduce the carrying value of the investment. During the years ended December 31, 2021 and 2020, there was no impairment loss recognized. Investments consisted of the following as of December 31, 2021 and 2020:

	<b>Ownership Percentage</b>	<b>2021</b>	<b>2020</b>
Pan Am Plaza Partners, LLC	0.77%	\$ 45,662	\$ 45,662
BH CSQ, LLC	0.81%	-	165,000
BH Lexington, LLC	0.27%	85,775	89,029
Citimark Investors 2018, LLC	0.00%	-	83,301
Whitestown Industrial Holdings III	0.43%	100,000	-
Sycamore Heights Townhome Partners	0.68%	100,000	-
Citimark South Carolina Investors	0.82%	100,000	-
		<b>\$ 431,437</b>	<b>\$ 382,992</b>

**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Building and improvements	\$ 8,481,408	\$ 7,798,537
Furniture and fixtures	655,066	596,874
Equipment	761,838	652,320
Construction in progress	-	85,270
	<u>9,898,312</u>	<u>9,133,001</u>
Less: accumulated depreciation	<u>(8,371,241)</u>	<u>(8,233,919)</u>
	<u>\$ 1,527,071</u>	<u>\$ 899,082</u>

**NOTE 9 FAIR VALUE MEASUREMENTS**

The Organization utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- **Level 2** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- **Level 3** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Organization does not have significant level 3 assets or liabilities. During the years ended December 31, 2021 and 2020, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 9 FAIR VALUE MEASUREMENTS** - continued

The following is a description of the valuation methodologies used for assets measured at fair value:

*Money market funds*: Valued at the net asset value ("NAV") of share held at year-end.

*Mutual funds*: Valued at the net asset value ("NAV") of share held at year-end.

*Exchange-traded funds*: Valued at listing closing price of shares held at year-end.

*Equity securities*: Valued at the closing price of the active market in which the security is traded.

Assets measured at fair value as of December 31 are summarized as follows:

	<b>2021</b>			
	<b><u>Fair Value</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Money Market Funds	\$ 609,600	\$ -	\$ 609,600	\$ -
Mutual Funds:				
Bond Fund	3,984,011	3,984,011	-	-
Small Blend	290,574	290,574	-	-
Large Growth	1,475,486	1,475,486	-	-
Large Blend	1,362,918	1,362,918	-	-
Large Value	856,800	856,800	-	-
Exchange-Traded Funds:				
Small Blend	628,908	628,908	-	-
Large Blend	2,800,150	2,800,150	-	-
Equity securities:				
Common stock	30,719	30,719	-	-
	<u>\$ 12,039,166</u>	<u>\$ 11,429,566</u>	<u>\$ 609,600</u>	<u>\$ -</u>

	<b>2020</b>			
	<b><u>Fair Value</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Money Market Funds	\$ 225,748	\$ -	\$ 225,748	\$ -
Mutual Funds:				
Bond Fund	3,871,453	3,871,453	-	-
Small Blend	317,354	317,354	-	-
Large Growth	1,666,802	1,666,802	-	-
Large Blend	1,453,051	1,453,051	-	-
Large Value	931,515	931,515	-	-
Exchange-Traded Funds:				
Small Blend	539,515	539,515	-	-
Large Blend	2,282,739	2,282,739	-	-
Equity securities:				
Common stock	3,185	3,185	-	-
	<u>\$ 11,291,362</u>	<u>\$ 11,065,614</u>	<u>\$ 225,748</u>	<u>\$ -</u>

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 10 ENDOWMENT**

The Organization's endowment consists of donor-restricted contributions that were made to provide a source of income for operations. As required by Accounting Principles Generally Accepted in the United States of America ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. The Organization 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 purposes of the organization 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 resources of the Organization
- (7) The investment policies of the Organization

As of December 31, 2021 and 2020, the Organization had the following endowment net asset composition by type of fund:

	<b><u>With Donor Restrictions</u></b>
<b><u>December 31, 2021</u></b>	
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 496,250
Accumulated investment gains (losses)	<u>1,020,632</u>
	<u>\$ 1,516,882</u>

**RONALD MCDONALD HOUSE  
CHARITIES OF CENTRAL INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 10 ENDOWMENT** - continued

**December 31, 2020**

Donor-restricted endowment funds:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 496,250
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Accumulated investment gains (losses)	<u>889,457</u>
	<u>\$ 1,385,707</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of December 31, 2021 and 2020.

**Investment and Spending Policies**

The Organization has adopted investment 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 the organization must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year the interest and dividend income from the endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 10 ENDOWMENT** - continued

Changes in Endowment Net Assets as of December 31, 2021 and 2020 are as follows:

	<b><u>With Donor Restrictions</u></b>
Endowment net assets, January 1, 2020	\$ 1,235,618
Investment income	38,745
Net depreciation, realized and unrealized	<u>148,636</u>
Total investment return	<u>187,381</u>
Appropriation for expenditure	<u>(37,292)</u>
Endowment net assets, December 31, 2020	<u>1,385,707</u>
Investment income	71,515
Net depreciation, realized and unrealized	<u>101,337</u>
Total investment return	<u>172,852</u>
Appropriation for expenditure	<u>(41,677)</u>
Endowment net assets, December 31, 2021	<u>\$ 1,516,882</u>

**NOTE 11 LINE OF CREDIT**

The Organization has a line of credit with PNC Bank with a maximum debt facility of \$250,000 available through September 30, 2022. At December 31, 2021 and 2020, there were no amounts outstanding on the line of credit. The line of credit bears interest at 3% plus one-month LIBOR. The rate was 4.55% as of December 31, 2021 and 2020.

**NOTE 12 RETIREMENT PLAN**

The Organization has a 401(K) retirement plan (the "Plan") for employees who meet certain eligibility requirements. The Plan permits eligible employees, through salary deferrals, to contribute up to IRS limits annually. The Organization matches 50% of employee contributions up to 6% of compensation. The Organization contributed \$9,029 and \$7,804 to the Plan in 2021 and 2020, respectively.

**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 13 LEASE COMMITMENTS**

The Organization is obligated under various operating leases for equipment with monthly payments ranging from \$90 to \$540 and various expiration dates through October 2024.

Future minimum lease obligations under the agreements are as follows:

2022	\$	9,000
2023		3,600
2024		2,730
Thereafter		-
		-
	\$	15,330

Total operating lease payments for the years ended December 31, 2021 and 2020 were \$11,920 and \$10,312, respectively.

**NOTE 14 NET ASSETS**

Net assets consist of the following:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Without donor restrictions		
Undesignated	\$ 11,020,734	\$ 8,936,179
Board designated for capital expenditures	2,778,541	2,778,541
	\$ 13,799,275	\$ 11,714,720
With donor restrictions:		
Purpose restrictions:		
Family room at Riley Children's Hospital	\$ -	\$ 215,434
Endowment fund	1,020,632	889,457
Computer equipment for quiet room	1,500	1,500
Miscellaneous equipment and supplies	130	1,105
Family assistance	2,282	14,308
Employee wellness	3,000	-
	1,027,544	1,121,804
Perpetual in nature:		
Endowment fund	496,250	496,250
	\$ 1,523,794	\$ 1,618,054



**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 15 RELATED PARTY TRANSACTIONS**

Ronald McDonald House Charities is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the Ronald McDonald House Charities system. Each Chapter is licensed by McDonald’s Corporation and Ronald McDonald House Charities, Inc. to use the related trademarks in conjunction with fundraising activities and the operation of its programs; the license agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (“RMHC Global”), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives grants and a portion of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the year ended December 31, 2021 and 2020, the Organization received \$469,119 and \$305,316, respectively, from these revenue streams.

The Organization purchased and received in-kind services from two different board members’ companies during 2021 and three different board members’ companies in 2020. The services related to the family room build out, purchase and installation of courtyard lighting and a fire alarm suppression system for the house, and other electrical and general contract work. The Organization paid these related parties a total of \$403,156 and \$23,410 in 2021 and 2020, respectively.

**NOTE 16 PAYCHECK PROTECTION PROGRAM**

In March 2020, Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses during the coronavirus pandemic (“COVID-19”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The legislation authorized the Treasury to use the Small Business Association’s (“SBA’s”) 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the “Covered Period” defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness.

On June 5, 2020, the PPP Flexibility Act of 2020 (the “Act”) was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent (“FTE”) restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

**RONALD MCDONALD HOUSE  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 16 PAYCHECK PROTECTION PROGRAM** - continued

In June 2020, the AICPA issued Technical Question and Answer ("TQA") 3200.18, Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability.

The TQA further states that if such an entity expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

The Organization applied for and received proceeds of \$221,114 through the PPP program on April 19, 2020, prior to the enactment of the Act. The loan was fully forgiven on August 30, 2021 and the proceeds were recorded as grant revenue as of December 31, 2020.

**NOTE 17 EMPLOYEE RETENTION CREDIT**

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. During the year December 31, 2021, the Organization applied for the Employee Retention Credit ("ERC") from the Internal Revenue Service. The Organization recognized \$79,772 of grant revenue related to performance requirements being met in compliance with the program during the year ended December 31, 2021.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization's financial position.