

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTH DAKOTA, INC.**

Financial Statements

For the Years Ended
December 31, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of South Dakota, Inc.
Sioux Falls, South Dakota

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of South Dakota, Inc. (a non-profit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of South Dakota, Inc. as of December 31, 2022 and 2021, and the changes in its net assets 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 South Dakota, 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 these 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 South Dakota, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities of South Dakota, 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 South Dakota, 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.

Woltman Group, PLLC

Woltman Group, PLLC
Sioux Falls, South Dakota
August 22, 2023

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Statements of Financial Position
As of December 31, 2022 and 2021

	2022	2021
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 296,122	\$ 358,190
Promises to give	100	1,950
Prepaid expenses	9,681	8,151
<i>Total current assets</i>	305,903	368,291
<i>Property and equipment, net</i>	2,777,253	2,879,399
<i>Other assets</i>		
Investments	2,603,553	2,994,047
Beneficial interest in Sioux Falls Area Community Foundation	23,690	28,380
Promises to give, net of current portion	1,500	2,400
<i>Total other assets</i>	2,628,743	3,024,827
Total Assets	\$ 5,711,899	\$ 6,272,517
Liabilities and Net Assets		
<i>Current liabilities</i>		
Accounts payable	\$ 25,619	\$ 24,645
Accrued expenses	24,688	23,939
<i>Total current liabilities</i>	50,307	48,584
<i>Total liabilities</i>	50,307	48,584
<i>Net assets</i>		
Without donor restrictions	5,114,427	5,671,479
With donor restrictions	547,165	552,454
<i>Total net assets</i>	5,661,592	6,223,933
Total Liabilities and Net Assets	\$ 5,711,899	\$ 6,272,517

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Net Public Support and Revenue						
Global, local, and McDonald's programs	\$ 66,966	\$ -	\$ 66,966	\$ 94,719	\$ -	\$ 94,719
Contributions	646,357	-	646,357	782,205	6,350	788,555
Contributed lease	-	200,329	200,329	-	194,494	194,494
Room fees	152,898	-	152,898	131,968	-	131,968
Special events, net	128,333	-	128,333	93,291	-	93,291
Other revenue	2,314	-	2,314	77,926	-	77,926
Investment (loss) income, net	(427,067)	-	(427,067)	330,666	-	330,666
Beneficial interest in Sioux Falls Area						
Community Foundation	-	(4,211)	(4,211)	-	2,378	2,378
Loss on disposal of property and equipment	(243)	-	(243)	-	-	-
<i>Net assets released from restrictions</i>						
Expansion project	600	(600)	-	-	-	-
SFACF funds distributed	478	(478)	-	455	(455)	-
Satisfaction of lease	200,329	(200,329)	-	194,494	(194,494)	-
Total net assets released from restrictions	201,407	(201,407)	-	194,949	(194,949)	-
Total Net Public Support and Revenue	770,965	(5,289)	765,676	1,705,724	8,273	1,713,997
Expenses						
Program services	880,495	-	880,495	813,026	-	813,026
Supporting services:						
Management and general	252,197	-	252,197	255,313	-	255,313
Fund-raising	195,325	-	195,325	161,688	-	161,688
Total Expenses	1,328,017	-	1,328,017	1,230,027	-	1,230,027
Change in Net Assets	(557,052)	(5,289)	(562,341)	475,697	8,273	483,970
Net Assets, Beginning of Year	5,671,479	552,454	6,223,933	5,195,782	544,181	5,739,963
Net Assets, End of Year	\$ 5,114,427	\$ 547,165	\$ 5,661,592	\$ 5,671,479	\$ 552,454	\$ 6,223,933

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Statements of Functional Expenses For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		Management and General	Fund-raising			Management and General	Fund-raising	
Salaries	\$ 321,023	\$ 153,675	\$ 110,348	\$ 585,046	\$ 298,335	\$ 153,380	\$ 100,306	\$ 552,021
Payroll taxes	26,077	12,327	9,008	47,412	23,567	12,221	7,856	43,644
Employee benefits	18,768	8,872	6,484	34,124	25,649	13,300	8,550	47,499
Total salaries and related expenses	365,868	174,874	125,840	666,582	347,551	178,901	116,712	643,164
Occupancy	290,515	655	1,311	292,481	255,816	632	1,264	257,712
Depreciation	140,121	1,445	2,889	144,455	136,559	1,408	2,816	140,783
Professional services	19,018	33,649	18,459	71,126	-	37,075	-	37,075
Office	4,323	25,418	17,434	47,175	4,219	26,020	17,140	47,379
Miscellaneous	732	10,650	13,769	25,151	333	8,354	14,378	23,065
Insurance	26,797	276	553	27,626	23,683	244	488	24,415
Repairs and maintenance	20,625	-	-	20,625	37,577	-	-	37,577
Fundraising	-	-	13,762	13,762	-	-	8,220	8,220
Supplies	12,496	-	-	12,496	7,288	-	-	7,288
Travel	-	5,230	1,308	6,538	-	2,679	670	3,349
Total Expenses	\$ 880,495	\$ 252,197	\$ 195,325	\$ 1,328,017	\$ 813,026	\$ 255,313	\$ 161,688	\$ 1,230,027

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (562,341)	\$ 483,970
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</i>		
Depreciation	144,455	140,783
Contribution of stock	(36,574)	-
Loss on disposal of property and equipment	243	-
Net realized and unrealized loss (gain) on investments	440,987	(329,157)
Change in beneficial interest in Sioux Falls Area Community Foundation	4,211	-
Donated property and equipment	-	(5,150)
<i>(Increase) decrease in assets:</i>		
Promise to give	2,750	55,000
Prepaid expenses	(1,530)	4,087
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	974	10,409
Accrued expenses	749	5,455
Net Cash (Used In) Provided by Operating Activities	(6,076)	365,397
Cash Flows from Investing Activities		
Purchase of property and equipment	(42,552)	(10,268)
Purchase of investments	(13,919)	(363,097)
Proceeds from investment and beneficial interest in Sioux Falls Area Community Foundation	479	38,115
Net Cash Used in Investing Activities	(55,992)	(335,250)
Net (Decrease) Increase in Cash and Cash Equivalents	(62,068)	30,147
Cash and Cash Equivalents at Beginning of Period	358,190	328,043
Cash and Cash Equivalents at End of Period	\$ 296,122	\$ 358,190

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Ronald McDonald House Charities of South Dakota, Inc. (Organization) is a non-profit corporation located in Sioux Falls, South Dakota operated by a volunteer board of directors elected by its members. The mission of the Organization is to keep families close through places, programs and partnerships that directly improve children's wellbeing, supporting families during their most challenging times. This is achieved by providing lodging for families of children who require medical treatment in Sioux Falls. The Organization generates its revenue through public support, Medicare reimbursements, and events throughout the year.

Basis of Accounting

Financial statement preparation follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Organization has adopted the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America in which revenues are recorded when earned and expenses when incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of December 31, 2022 and 2021.

Concentrations

Cash and Cash Equivalents

Cash and cash equivalents are exposed to concentrations of credit risk. The Organization maintains cash and cash equivalents in bank deposit accounts which, at times, may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Organization has not experienced any losses in these accounts, and management believes it is not exposed to any significant credit risk related to cash and cash equivalents as the deposits are in high-quality financial institutions. The Organization's cash and cash equivalents balance in excess of the FDIC limit totaled \$48,012 and \$116,020 as of December 31, 2022 and 2021, respectively.

Promises to Give

The Organization's promises to give are concentrated in the region of southeast South Dakota.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Concentrations (Continued)

Promises to Give (Continued)

At various times during the year, promises to give from specific donors may represent a substantial portion of outstanding promises to give. The Organization had one major donor that comprised approximately 94% of the outstanding promises to give as of December 31, 2022.

The Organization had two major donors that comprised 100% of the outstanding promises to give as of December 31, 2021.

Investments

Investments are exposed to concentrations of credit risk. The Organization maintains investments in accounts which, at times, may be in excess of the Securities Investor Protection Corporation (SIPC) limit of \$500,000 (including a \$250,000 limit for cash). SIPC protects investment accounts in the event of broker-dealer failure. The insurance does not protect against market losses on investments. The Organization's investment balance in excess of the SIPC limit totaled \$2,103,553 and \$2,494,047 as of December 31, 2022 and 2021, respectively.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets or decreases in liabilities or expenses, depending on the form of the benefits 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 are substantially met. Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are recorded at the present value of expected future cash flows. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investments

Investments are carried at fair value. Fair values are generally based on quoted market prices or appraised value. Realized and unrealized gains and losses are reflected in the accompanying statements of activities and changes in net assets.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at its estimated fair market value at the time of the gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as support with donor restrictions. Unless the donor has stipulated how long donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. Additions, renewals, and betterments greater than or equal to \$500 with a useful life greater than one year are capitalized. Purchases under this threshold or that do not extend the useful life are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the related assets for book purposes. The estimated useful lives of the depreciable assets are as follows:

	<u>Years</u>
Building	7 - 40
Leasehold improvements	7 - 20
Furniture and equipment	3 - 7

Depreciation expense totaled \$144,455 and \$140,783 for the years ended December 31, 2022 and 2021, respectively.

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - Undesignated

Net assets that are not subject to donor-imposed restrictions or law over which the Organization's board of directors has discretionary control.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Without Donor Restrictions - Designated

Net assets that are not subject to donor-imposed restrictions or law over which the Organization's board of directors has discretionary control.

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Restricted and Unrestricted Revenue and Support

The Organization recognizes revenue in accordance with the Financial Accounting Standards Board (FASB) Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC) and FASB Topic 958 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the ASC. Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Topic 958 provides clarification on whether revenue from contracts is from an exchange transaction or a contribution or grant.

Generally, the Organization considers each contract a separate performance obligation unless otherwise determined at the inception of the contract. The transaction price of each service is based on its stated standalone price. Revenue from room fees and third-party agreements is recognized in the period in which it is earned. The revenue associated with these contracts represents approximately 20% and 8% of net public support and revenue for the years ended December 31, 2022 and 2021, respectively.

Unconditional promises to give are recognized as revenue in the period the promise is made. Conditional promises to give are recorded as revenue when the conditions are substantially met.

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Donated Materials, Property and Equipment, and Services

Donated materials, and property and equipment are reflected as contributions in-kind in the accompanying financial statements at their estimated value at date of receipt, provided such value is material. No amounts have been reflected in the financial statements for donated services. No objective basis is available to measure the value of such services, and these services do not meet the criteria for recognition; however, a substantial number of volunteers have donated significant amounts of time to the Organization to assist with program activities, fund raising events, and board assignments.

Use of Estimates

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

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses are allocated as follows:

Allocated on time and effort — salaries, benefits, and payroll taxes

Allocated on usage — depreciation, insurance, occupancy, office, travel, miscellaneous, professional services

Employee Benefits

The Organization allows certain employees paid time off in proportion to years of service up to a maximum of 200 hours per year. A maximum of 80 hours of PTO can be carried over to the next calendar year. Unused accumulated PTO in excess of 80 hours will be lost and unpaid. Paid time off is compensated for upon termination of employment for employees who have completed six full months of employment.

Leases

The Organization rents real and personal property in the normal course of operations on a cancellable and noncancellable basis. The Organization treats all lease payments as expense in the period applicable to the period of use.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Risks and Uncertainties

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, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the net assets of the Organization.

Reclassifications

Some reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

Subsequent events were evaluated through August 22, 2023, the date the financial statements were available to be issued.

2. Investments

Investments, stated at market value, are classified in the accompanying statement(s) of financial position as other assets and consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Investments		
Money market funds	\$ 175,754	\$ 57,539
Equities	1,493,924	1,812,439
Bond funds	<u>933,875</u>	<u>1,124,069</u>
Total investments	<u>\$ 2,603,553</u>	<u>\$ 2,994,047</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

2. Investments (Continued)

Investment income from the Organization's investments is composed of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 23,075	\$ 12,711
Realized (loss) gain on investments	(13,518)	145,173
Unrealized (loss) gain on investments	(427,469)	181,606
Less: investment fees	<u>(9,155)</u>	<u>(8,824)</u>
Net investment (loss) income	<u>\$ (427,067)</u>	<u>\$ 330,666</u>

3. Property and Equipment

Cost and accumulated depreciation for property and equipment are summarized as follows as of December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building	\$ 3,959,044	\$ 1,340,281	\$ 3,959,044	\$ 1,225,491
Leasehold improvements	453,089	385,625	453,089	367,335
Furniture and equipment	<u>210,544</u>	<u>(119,518)</u>	<u>168,652</u>	<u>108,560</u>
	<u>\$ 4,622,677</u>	<u>\$ 1,845,424</u>	<u>\$ 4,580,785</u>	<u>\$ 1,701,386</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

4. Beneficial Interest in Sioux Falls Area Community Foundation

The Organization receives funds through the Sioux Falls Area Community Foundation (Foundation) from endowments owned and administered by them for the Organization as the designated beneficiary of distributions from the endowments. The Foundation distributes 4% of the 12-quarter trailing average balance of the endowments to the Organization each year. These distributions are subject to the Foundation's power to "modify or remove any restriction or condition on the distributions of funds if, in its discretion, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served." The Foundation has not exercised such power in the past. The aggregate current market value of the contributions, plus income and less distributions and fees was \$23,690 and \$28,380 as of December 31, 2022 and 2021, respectively, and is reflected in the Organization's assets as an interest in the net assets of the Foundation. \$155 and \$126 became available for use in 2022 and 2021, respectively, and the net accumulated amounts as of December 31, 2022 and 2021, were \$2,284 and \$2,129, respectively, in the funds and are included in beneficial interest in Sioux Falls Area Community Foundation on the statements of financial position. The Ronald McDonald House received distributions from the endowments in the amount of \$478 and \$455 in 2022 and 2021, respectively.

5. Fair Value of Financial Instruments

Assets measured at fair value on a recurring basis are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Investments		
Money market funds	\$ 175,754	\$ 57,539
Equities	1,493,924	1,812,439
Bond funds	933,875	1,124,069
Beneficial interest in Sioux Falls Area Community Foundation	<u>23,690</u>	<u>28,380</u>
	<u>\$ 2,627,243</u>	<u>\$ 3,022,427</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

5. Fair Value of Financial Instruments (Continued)

The related fair values of these assets are determined as follows as of December 31:

	<u>2022</u>		
	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments			
Money market funds	\$ 175,754	\$ -	\$ -
Equities	1,493,924	-	-
Bond funds	933,875	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	<u>23,690</u>
	<u>\$ 2,603,553</u>	<u>\$ -</u>	<u>\$ 23,690</u>
	<u>2021</u>		
	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments			
Money market funds	\$ 57,539	\$ -	\$ -
Equities	1,812,439	-	-
Bond funds	1,124,069	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	<u>28,380</u>
	<u>\$ 2,994,047</u>	<u>\$ -</u>	<u>\$ 28,380</u>

The fair values of mutual funds are determined by reference to quoted market prices. The majority of the pooled investments at Sioux Falls Area Community Foundation are level 1 investments.

6. Liquidity

Financial assets available to meet cash needs for general expenditures within one year of December 31 for the Organization are calculated as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 296,122	\$ 358,190
Investments	2,105,837	2,496,176
Promises to give	100	1,950
	<u>2,402,059</u>	<u>2,856,316</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

6. Liquidity (Continued)

	<u>2022</u>	<u>2021</u>
Less: assets unavailable for general expenditures within one year due to donor restrictions	<u>\$ (23,473)</u>	<u>\$ (24,073)</u>
Financial assets available to meet cash needs for general expenditures within a year of December 31	<u>\$ 2,378,586</u>	<u>\$ 2,832,243</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary.

7. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources over which the Organization's board of directors has discretionary control.

Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Time/purpose restricted contributions		
Beneficial interest in Sioux Falls Area Community Foundation	\$ 2,285	\$ 2,130
Capital expenditures	23,473	24,073
Perpetual in nature		
Restricted investment	500,000	500,000
Beneficial interest in Sioux Falls Area Community Foundation	<u>21,407</u>	<u>26,251</u>
	<u>\$ 547,165</u>	<u>\$ 552,454</u>

8. Lease Obligations

The Organization entered into a ground lease with Sanford Medical Center in June 2008 for 99 years. The annual rent obligation under this lease is \$1.

RONALD MCDONALD HOUSE CHARITIES OF SOUTH DAKOTA, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

8. Lease Obligations (Continued)

The Organization entered into a building lease with Avera McKennan. The Organization uses this leased building for a house located on the Avera McKennan Hospital campus. The term of this lease is for an initial term of 5 years commencing on August 1, 2008. The lease may be renewed for up to four additional 5-year terms. The Organization is in its second 5-year extension, which goes through July 2023. Rent is not charged on this lease as long as the leased building is used for charitable purposes. The donation of this lease has been estimated at \$200,329 and \$194,494 for the years ended December 31, 2022 and 2021, respectively, and has been included as contributed lease revenue and occupancy expense in the accompanying statements of activities and changes in net assets.

9. Retirement Plan

The Organization has a contributory SIMPLE retirement plan covering all eligible employees. The plan includes salary deferral provisions, and the Organization will contribute 3% of employee wages. Retirement expense for the years ended December 31, 2022 and 2021, was \$9,758 and \$9,545, respectively, and is included in employee benefits in the statements of functional expenses.

10. Related-Party Transactions

Ronald McDonald House Charities (RMHC) 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 RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. (RMHC Global) to use RMHC 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.

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 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2022 and 2021, the Organization received \$35,729 and \$49,172, respectively, from these revenue streams.

11. CARES Act

During the year ended December 31, 2021, Ronald McDonald House received a \$75,793 employee retention credit under the CARES Act. This credit was applied against qualified wages and health care expenses as well as the employer portion of social security taxes paid during the first quarter of 2021.