RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.
FINANCIAL STATEMENTS

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MeyersBrothersKalicka, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House Charities of CT & Western MA

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of CT & Western MA (a nonprofit "Organization"), which comprise the statements 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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of CT & Western MA as of December 31, 2021 and 2020, 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 CT & Western MA 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 CT & Western MA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 CT & Western MA'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 CT & Western MA'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.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
July 27, 2022

RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents	$ 964,417	$ 658,535
Accounts receivable	142,900	210,252
Contributions receivable, net	72,090	273,262
Other receivable - Employee Retention Credits	263,972	-
Prepaid expenses	5,265	33,974
Investments	9,393,773	9,012,971
Beneficial interest in assets held by others	1,502,194	1,370,283
Property and equipment, net	11,255,290	11,485,733
Total assets	$ 23,599,901	$ 23,045,010

LIABILITIES AND NET ASSETS

	2021	2020
Borrowings under line of credit	$ -	$ 568,196
Accounts payable and accrued liabilities	107,932	119,717
Accrued retirement plan contributions (Note 13)	-	155,648
Note payable	4,126,925	4,304,201
Paycheck Protection Program loan	233,635	-
Total liabilities	4,468,492	5,147,762
Net assets without donor restrictions	15,616,981	14,536,109
Net assets with donor restrictions	3,514,428	3,361,139
Total net assets	19,131,409	17,897,248
Total liabilities and net assets	$ 23,599,901	$ 23,045,010

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

RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net assets without donor restrictions		
Support and revenue		
Contributions and donations	$ 1,043,589	$ 1,068,167
Special event contributions	580,096	418,145
Special event income	71,080	9,520
Grants	120,977	116,816
Rental income	398,200	398,200
Other income	-	2,334
Net assets released from restrictions	345,669	137,397
Total support and revenue	2,559,611	2,150,579
Expenses		
Program expenses	2,060,811	1,780,465
Management and general	185,209	319,338
Fundraising	384,897	466,993
Total expenses	2,630,917	2,566,796
Operating loss	(71,306)	(416,217)
Non-operating income		
Investment income, net	817,784	867,208
Gain on extinguishment of debt - Paycheck Protection Program (Note 9)	-	229,200
Employee Retention Credits	263,972	-
Net assets released for acquisition of property and construction	70,422	141,359
Change in net assets without donor restrictions	1,080,872	821,550
Net assets with donor restrictions		
Contributions and donations	297,033	332,572
Investment income, net	140,436	172,172
Net assets released from restrictions	(416,091)	(278,756)
Net increase in beneficial interest in a perpetual trust	131,911	45,494
Change in net assets with donor restrictions	153,289	271,482
Change in net assets	1,234,161	1,093,032
Net assets balance, beginning of year	17,897,248	16,804,216
Net assets balance, end of year	$ 19,131,409	$ 17,897,248

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

RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Personnel expenses	$ 1,049,920	$ 40,928	$ 210,065	$ 1,300,913
Professional fees	7,706	115,649	-	123,355
Fundraising events	-	-	111,984	111,984
Repairs	106,928	2,890	-	109,818
Utilities	120,226	-	-	120,226
Other expenses	53,288	1,808	-	55,096
Other miscellaneous program costs	13,175	-	-	13,175
House operation expenses	52,517	-	-	52,517
House food and supplies	50,281	-	-	50,281
Telephone	20,605	-	-	20,605
Volunteer recognition	3,237	-	-	3,237
Bank service charges	-	16,347	-	16,347
Depreciation	418,842	-	-	418,842
Interest	164,086	-	-	164,086
Conferences, meetings	-	7,587	-	7,587
Other campaign costs	-	-	62,848	62,848
Total expenses	$ 2,060,811	$ 185,209	$ 384,897	$ 2,630,917

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

RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total
Personnel expenses	$ 775,486	$ 203,102	$ 367,707	$ 1,346,295
Professional fees	-	94,990	-	94,990
Fundraising events	-	-	33,819	33,819
Repairs	111,351	1,217	-	112,568
Utilities	102,465	-	-	102,465
Other expenses	42,472	3,731	-	46,203
Other miscellaneous program costs	60,264	-	-	60,264
House operation expenses	45,445	-	-	45,445
House food and supplies	21,560	-	-	21,560
Telephone	18,668	-	-	18,668
Volunteer recognition	532	-	-	532
Bank service charges	-	15,344	-	15,344
Depreciation	417,255	-	-	417,255
Interest	184,967	-	-	184,967
Conferences, meetings	-	954	-	954
Other campaign costs	-	-	65,467	65,467
Total expenses	$ 1,780,465	$ 319,338	$ 466,993	$ 2,566,796

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

RONALD MCDONALD HOUSE CHARITIES OF CONNECTICUT AND WESTERN MASSACHUSETTS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 1,234,161	$ 1,093,032
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions restricted for acquisition of property and long-term investments	(297,033)	(332,572)
Depreciation expense	418,842	417,255
Gain on extinguishment of debt - Paycheck Protection Program	-	(229,200)
Realized and unrealized gain on investments	(777,546)	(870,518)
Changes in operating assets and liabilities:		
Accounts receivable	67,352	(87,975)
Other receivable - Employee Retention Credits	(263,972)	-
Prepaid expenses	28,709	(21,721)
Accounts payable and accrued liabilities	(11,785)	(29,396)
Accrued retirement plan contributions	(155,648)	20,979
Net cash provided (used) by operating activities	243,080	(40,116)
Cash flows from investing activities		
Purchase of investments	(298,469)	(1,633,373)
Proceeds from sale of investments	695,213	1,480,463
Purchases of property and equipment	(188,399)	(92,936)
Change in beneficial interest in a perpetual trust	(131,911)	(45,494)
Net cash provided (used) in investing activities	76,434	(291,340)
Cash flows from financing activities		
Contributions restricted for acquisition of property and long-term investments	297,033	332,572
Payments received on pledge receivables restricted for acquisition of property	201,172	251,110
Proceeds from Paycheck Protection Program loans	233,635	229,200
Payments on lines of credit, net	(568,196)	(195,000)
Payments on note payable	(177,276)	(170,229)
Net cash (used in) provided by financing activities	(13,632)	447,653
Increase in cash and cash equivalents	305,882	116,197
Cash and cash equivalents, beginning of year	658,535	542,338
Cash and cash equivalents, end of year	$ 964,417	$ 658,535
Supplementary disclosure of cash flow information		
Interest paid	$ 164,086	$ 184,967

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Ronald McDonald House Charities of Connecticut and Western Massachusetts, Inc. (the Organization) is a nonprofit charitable corporation formed in January 2013. The mission of Ronald McDonald House Charities ("RMHC") is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following program, operated by the Organization, represents the core function of Ronald McDonald House Charities:

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House programs located in New Haven, Connecticut and Springfield, Massachusetts, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. Certain restrictions are temporary in nature and 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. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Statements of financial position that sequence assets and liabilities based upon their relative liquidity are presented.

Measure of operations

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Based on payment history, management does not believe that an allowance for doubtful accounts is necessary at December 31, 2021 or 2020.

Contributions receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Organization uses the allowance method to determine uncollectible unconditional promises receivable based on management's analysis of specific promises made. Contributions receivable are written off when deemed uncollectible.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and other investment income are included in the statements of activities. Realized gains/losses are determined on a specific identification basis.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of $2,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 40 Years
Office furniture and equipment	5 - 7 Years
Vehicles	5 Years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Impairment of long-lived assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization 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. There were no such adjustments in 2021 or 2020.

Donated assets, property and equipment, and services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

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 over the periods to which the sponsorships relate.

Forgivable loans – Paycheck Protection Program

The Organization's policy is to account for forgivable loans received through the Small Business Administration (the SBA) under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC) 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Organization is legally released from the liability by the SBA.

Net assets

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

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With donor restrictions

Net assets 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Revenue recognition

Contributions and grants
Unconditional promises to give are recognized as revenue in the period the promise was 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. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown 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, the Organization will record such disallowance at the time the final assessment is made.

Sponsorship revenue
The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

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.

Rental revenue
Rental revenue is recognized on a monthly basis (straight-line) over the term of the lease.

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. The expenses that are allocated include: depreciation, insurance, interest, maintenance and repairs, rent, and utilities, payroll taxes, meetings, education and training, office supplies, technology and telephone. Salaries and wages and employee benefits are allocated on the basis of estimates of time and effort. Occupancy related expenses are allocated based upon square footage used.

Income tax status
The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income (UBIT). There were no activities subject to UBIT in 2021 and 2020. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES:

As of December 31, 2021, the Organization has $1,273,389 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which consists of current assets reduced by $72,090 of current contributions receivable not available for general use because of contractual or donor-imposed restrictions.

The Organization maintains investments of $9,393,773 (Note 4), consisting of mutual funds and common stocks of which $7,934,085 are unrestricted and could be appropriated and used in operations. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets are available to fund operating expenses, if necessary.

As more fully described in Note 7, the Organization also has a line of credit in the amount of $400,000, which it could draw upon in the event of an unanticipated liquidity need. The available balance on the line was $400,000 at December 31, 2021.

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist primarily of pledges and bequests as of December 31, as follows:

	2021	2020
Amounts due in:		
Less than one year	$ 55,990	$ 212,866
One to five years	17,600	98,430
Total	73,590	311,296
Unamortized discount	(1,500)	(7,000)
Allowance for uncollectibles	-	(31,034)
Net contributions receivable	$ 72,090	$ 273,262

The discount rate used for contributions made was approximately 2% for the years ended December 31, 2021 and 2020.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Overall investment objective

The Board of Directors, as the governing authority, is responsible for oversight of the Organization's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board to its Finance Committee. The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. Investments authorized by the Finance Committee include marketable equity and fixed income securities and other types of investments that may be made while keeping the portfolio within the targeted allocation of asset classes. Investments authorized also include agency advised funds held at the Community Foundation of Western Massachusetts and the Community Foundation of Greater New Haven ("Community Foundations").

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS: (CONTINUED)

Fair value measurements

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets measured on a recurring basis as of December 31, are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
2021					
Mutual funds	$ 9,292,431	$ -	$ -	$ -	$ 9,292,431
Beneficial interest	-	-	-	101,342	101,342
Total	$ 9,292,431	$ -	$ -	$ 101,342	$ 9,393,773
2020					
Mutual funds	$ 8,915,776	$ -	$ -	$ -	$ 8,915,776
Common stock	7,531	-	-	-	7,531
Beneficial interest	-	-	-	89,664	89,664
Total	$ 8,923,307	$ -	$ -	$ 89,664	$ 9,012,971

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS: (CONTINUED)

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. There have been no changes in the methodologies used at December 31, 2021 and 2020.

The valuation methodologies used for assets held at Community Foundations is based upon the Organization's allocable share of the Community Foundations' pooled investment portfolio. The allocable share is based on the net asset value ("NAV") of the underlying assets owned by the fund, minus its liabilities.

The beneficial interests in investments are valued monthly by the Community Foundations and are allocated based upon each organization's calculated share of the Community Foundations' pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants) and the investment returns allocated via a unitization process. The Organization calculates the NAV of its beneficial interest pooled investment assets held by the Community Foundation based on the estimated NAV of the underlying assets. The Community Foundation controls the investment and makes all management and investment decisions. There have been no changes in valuation techniques and related inputs.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Interest and dividend income	$ 207,582	$ 191,445
Realized gains, net	233,506	172,038
Unrealized gains, net	544,040	698,480
Less investment expenses	(26,908)	(22,583)
Investment income, net	$ 958,220	$ 1,039,380

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31:

	2021	2020
Land	$ 70,470	$ 70,470
Buildings and improvements	14,536,587	14,324,281
Equipment	1,094,101	1,021,564
Furniture, fixtures and computer software	39,621	39,621
Total, at cost	15,740,779	15,455,936
Less: accumulated depreciation	(4,485,489)	(4,066,647)
	11,255,290	11,389,289
Construction in progress	-	96,444
Total property and equipment	$ 11,255,290	$ 11,485,733

6. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Donors have contributed assets to an unrelated third party in exchange for a promise by the unrelated third party to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the unrelated third party. The Organization is named as a beneficiary in one of these agreements. Accordingly, contribution revenue is included in net assets with donor restrictions and the related assets are recognized at the estimated future cash receipts in the period in which the Organization received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statements of activities as the change in value of beneficial interest in assets held by others.

The Organization has a 20% beneficial interest in a perpetual trust. Beneficial interest in a perpetual trust as of December 31, 2021 and 2020 was $1,502,194 and $1,370,283, respectively. These amounts represent 20% of the total market value at year end. A change in market value of $131,911 and $45,494 for 2021 and 2020, respectively, is shown as a change in net assets with donor restrictions in the statements of activities. Additionally, the Organization receives an annual distribution of 20% of the net income by this trust. The distribution is recorded when received and is available to the Organization for general purposes without restriction.

7. BORROWINGS UNDER LINES OF CREDIT:

The Organization has a revolving line of credit facility for up to $400,000 with a bank. The line of credit requires monthly installments of interest at one month LIBOR rate plus 1.50% per annum (1.80% and 1.64% at December 31, 2021 and 2020, respectively). The line is secured by a security interest in the Vanguard investment account consisting of unrestricted marketable securities in an amount of not less than one million dollars. There were no borrowings outstanding on the line of credit as of December 31, 2021 and 2020.

The Organization also has a construction line of credit related to the building of the New Haven House in the maximum amount of $3,000,000. The construction line of credit requires monthly installments of interest only for 60 months; at the one month LIBOR rate plus 1.75% per annum (2.05% and 1.89% at December 31, 2021 and 2020, respectively). The construction line is secured by a security interest in all assets of the Organization. Borrowings were $568,196 at December 31, 2020. On June 22, 2021, the outstanding balance of $568,196 was paid in full.

8. NOTE PAYABLE:

During 2016, the Organization received financing from a bank for construction of a new house in the form of a loan in a maximum amount of $6,000,000. The loan bears interest at 3.71% per annum for 7 years with monthly payments of interest only for 2 years to June 22, 2018. From that date, and every five subsequent years, the interest rate will be updated to the Five Year Classic Federal Home Loan Bank of Boston rate plus 1.75% per annum. On July 22, 2018, monthly principal and interest payments of $28,011 were due for a period of 120 months. The remaining balance is due June 22, 2028. There are two optional five year extensions available. The loan balance was $4,126,925 and $4,304,201 at December 31, 2021 and 2020, respectively. The loan is secured by a security interest in all assets of the Organization and the Howard Street property.

8. NOTE PAYABLE: (CONTINUED)

Maturity of the note payable is as follows for the fiscal years ending December 31:

2022	$	184,668
2023		191,637
2024		198,869
2025		206,373
2026		214,161
Thereafter		3,131,217
Total	$	4,126,925

9. PAYCHECK PROTECTION PROGRAM:

On April 21, 2020, the Organization received proceeds in the amount of $229,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP). On November 2, 2020, the PPP loan proceeds were forgiven in full by the U.S. Small Business Administration (the SBA). The Organization recognized the forgiveness as a gain on extinguishment of debt on the statement of activities for the year ended December 31, 2020.

Under the second round of Paycheck Protection Program funding, the Organization received an additional $233,635 loan on March 23, 2021. The loan accrues interest at 1%, with the first ten months of interest deferred, has a term of five years and is unsecured and guaranteed by the SBA. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization received forgiveness in full for $233,635 on April 6, 2022.

10. ENDOWMENT FUNDS:

The Organization's endowment consists of an individual fund established by a donor to provide annual funding for specific activities and general operations.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State of Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by UPMIFA, 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 various funds
(2) The purposes of the donor-restricted endowment funds
(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 Organization's investment policies

10. ENDOWMENT FUNDS: (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 4% annually above the Consumer Price Index. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy – Donor-restricted endowment. Funds available for distribution will be determined using a total return principle (return derived from dividends and interest as well as realized and unrealized capital gains). The funds available for distribution during any one year will be limited to 5% of the market value of the corpus that is based on a 3-year rolling average, with measures taken at the end of each of the preceding 12 quarters, with annual distribution calculated using the quarter ended June 30. The market value for this purpose will be taken net of the fees for investment management. Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the Executive Committee. There were no amounts appropriated in 2021 or 2020 under this spending policy.

In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at an average rate of 4% annually above the Consumer Price Index. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The Organization's policy does not permit spending from underwater endowment funds.

Changes in endowment net assets and net assets by type of fund were as follows for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,319,252	$ 1,319,252
Investment return, net	-	140,436	140,436
Endowment net assets, end of year	$ -	$ 1,459,688	$ 1,459,688

10. ENDOWMENT FUNDS: (CONTINUED)

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	$ -	$ 1,010,000	$ 1,010,000
Portion subject to appropriation under UPMIFA	-	449,688	449,688
Total funds	$ -	$ 1,459,688	$ 1,459,688

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,147,080	$ 1,147,080
Investment return, net	-	172,172	172,172
Endowment net assets, end of year	$ -	$ 1,319,252	$ 1,319,252
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	$ -	$ 1,010,000	$ 1,010,000
Portion subject to appropriation under UPMIFA	-	309,252	309,252
Total funds	$ -	$ 1,319,252	$ 1,319,252

Fund 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 the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2021 and 2020.

11. NET ASSETS WITH DONOR RESTRICTIONS:

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

		2021		2020
Subject to expenditure for specific purpose or time:				
Program activities:				
Capital campaign	$	346,697	$	309,246
Room makeover		129,000		127,339
Accumulated Investment earnings on endowment funds		449,688		309,252
Other – various		76,849		235,019
		1,002,234		980,856
Not subject to appropriation or expenditure:				
Endowment		1,010,000		1,010,000
Perpetual trust value		1,502,194		1,370,283
Total net assets with donor restrictions	$	3,514,428	$	3,361,139

12. NET ASSET RELEASED FROM DONOR RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2021 and 2020:

		2021		2020
Purpose restrictions accomplished:				
Acquisition of property and construction	$	70,422	$	141,359
Other activities		345,669		137,397
	$	416,091	$	278,756

13. EMPLOYEE RETIREMENT PLANS:

The Organization has a defined contribution retirement plan (the "Plan") and tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The defined contribution plan covers full-time and part-time employees scheduled to work thirty or more hours over 21 years of age, with more than one year of eligible service of the Organization. Employees may contribute up to 5% and the Organization will match up to 5% of each eligible employee's compensation. All employees are eligible in the tax-deferred annuity plan. Contributions by each employee are limited to the amounts set forth by the Internal Revenue Code. Employer contributions to the Plan were $42,126 and $50,385 for the years ended December 31, 2021 and 2020, respectively.

For the year ended December 31, 2020, the Organization recorded an estimated accrued retirement liability of $155,648 as a result of erroneously excluding part time employees from their plan starting in 2013. In November 2021, the final obligation of $167,012 was paid in full by the Organization.

14. OPERATING LEASES:

In 2017, the Organization entered into an agreement to lease meeting rooms with Yale New Haven Hospital for ten years. Lease income is being recognized on a straight line basis over the lease term. Lease revenues for the years ended December 31, 2021 and 2020 were $398,200.

Minimum future rental revenues for each of the next five years and in the aggregate are as follows:

Year Ending December 31,		Amount
2022	$	398,200
2023		398,200
2024		398,200
2025		398,200
2026		398,200
Thereafter		199,100
Total	$	2,190,100

15. TRANSACTIONS WITH RELATED ENTITIES:

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. 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.

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 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, 2021 and 2020, the Organization received $244,284 and $280,711, respectively, from these revenue streams.

16. CONCENTRATION RISK:

Credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investments.

The Organization maintains cash and investment balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. From time to time, the Organization's balances may exceed insured limits. The Organization limits its credit risk by selecting financial institutions considered to be highly creditworthy.

17. COMMITMENTS:

The Organization has a ground lease with Baystate Health Systems, Inc. for property at 33 Pratt Street, which is adjacent to the Organization's house located in Springfield, Massachusetts. The lease commenced on October 2, 1995 and has a term of 99 years. Baystate Health Systems, Inc. can terminate the lease upon written notice. The lease term requires a nominal payment of $1 annually. The Organization has paid the lease in full.

The Organization has a ground lease with Yale New Haven Hospital for property in New Haven, Connecticut. The lease commenced in October 2015 and has term of 98 years. The lease term requires a nominal payment of $1. The Organization has paid the lease in full.

18. RISKS AND UNCERTAINTIES:

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a world-wide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2022 operations and financial results. In addition, investment markets may continue to experience significant fluctuations. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

19. EMPLOYEE RETENTION CREDIT:

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020 (part of the Consolidated Appropriations Act of 2021), made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), including modifying and extending the Employee Retention Credit (“ERC”), for six months through June 30, 2021. The American Rescue Plan Act of 2021, signed into law in March 2021, then extended the ERC through December 31, 2021. The Infrastructure Bill signed in November 2021, terminated this program, effective October 1, 2021. The ERC can be taken retroactively, for qualifying wages paid after March 12, 2020. The law now allows employers who received PPP loans to claim the ERC, if eligible, for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan.

Employers are allowed a refundable tax credit against employer Social Security tax equal to 50 percent of wages paid after March 12, 2020, up to $10,000 in wages per employee to December 31, 2020.

Employers are allowed a refundable tax credit against employer Social Security tax equal to 70 percent of wages paid after January 1, 2021 to September 30, 2021, up to $10,000 in wages per employee per calendar quarter in 2021. For the quarters ended March 31, 2021 and June 30, 2021, the Organization has amended their payroll tax returns and have requested a refund of approximately $133,339 and $130,633, respectively which were included as other receivables on the statement of financial position at December 31, 2021. Employee retention tax credits are their own line item on the statement of activities for the year ended December 31, 2021.

20. RECENT ACCOUNTING PRONOUNCEMENTS:

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

21. SUBSEQUENT EVENTS:

Paycheck Protection Program – round 2

On April 6, 2022, the Organization received notification of forgiveness of the PPP loan in full from the Small Business Administration. The $233,635 will be recognized as a gain on extinguishment of debt on the statement of activities for the year ended December 31, 2022.

Management evaluated subsequent events through July 27, 2022, the date on which the financial statements were available to be issued.