

RONALD McDONALD HOUSE CHARITIES OF
CENTRAL TEXAS, INC.
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2019

RONALD McDONALD HOUSE CHARITIES OF
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(Nonprofit Corporation)

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INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of Central Texas, Inc.
Austin, Texas

We have audited the accompanying financial statements of the Ronald McDonald House Charities of Central Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Central Texas, Inc. as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Allman & Associates, Inc.

Austin, Texas
August 14, 2020

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 706,896
Promises to give, net - current portion	97,013
Other receivables	3,500
Note receivable, net - current portion	1,200
Prepaid expenses	175,014
Total Current Assets	<u>983,623</u>

Promises to give, net of current portion	10,000
Note receivable, net of discount and current portion	24,668
Beneficial interest in assets held by ACF	143,485
Land lease, net	337,767
Investments, at fair value	4,378,716
Property and equipment, net of accumulated depreciation	<u>7,962,837</u>
Total Assets	<u><u>\$ 13,841,096</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 98,302
Deferred revenue	66,114
Other liabilities	50,762

Total Current Liabilities	<u>215,178</u>
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Total Liabilities	<u>215,178</u>
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Net Assets

Without donor restrictions	10,260,224
With donor restrictions	<u>3,365,694</u>

Total Net Assets	<u>13,625,918</u>
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Total Liabilities and Net Assets	<u><u>\$ 13,841,096</u></u>
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See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Fundraising events	\$ 1,336,629	\$ 73,366	\$ 1,409,995
Contributions - General	706,685	324,126	1,030,811
Grant income	124,508	22,500	147,008
Contributions - McDonald's related fundraising	251,684	-	251,684
Client donations	122,933	-	122,933
Investment earnings, net	3,682	503,219	506,901
In-kind donations	678,875	-	678,875
Other income	8,348	1,000	9,348
	3,233,344	924,211	4,157,555
Total Revenue			
Net assets released from restrictions	293,534	(293,534)	-
	3,526,878	630,677	4,157,555
Total revenue and other support			
Expenses			
Program services:			
House operations	2,106,882	-	2,106,882
Bereavement and family assistance	489,286	-	489,286
Total program services	2,596,168	-	2,596,168
Supporting services:			
Management and general	304,544	-	304,544
Fundraising and special events	624,619	-	624,619
Cost of direct benefits to donors	181,470	-	181,470
Total supporting services	1,110,633	-	1,110,633
Total Expenses	3,706,801	-	3,706,801
Change in net assets	(179,923)	630,677	450,754
Net assets, beginning of year	10,440,147	2,735,017	13,175,164
Net assets, end of year	\$ 10,260,224	\$ 3,365,694	\$ 13,625,918

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

Expenses	Program Services			Supporting Services			Total Supporting Services	Totals
	House Operations	Bereavement and Family Assistance	Total Program Services	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors		
Salaries	\$ 430,127	\$ 273,153	\$ 703,280	\$ 126,595	\$ 342,630	\$ -	\$ 469,225	\$ 1,172,505
Employee benefits	68,388	32,486	100,874	21,628	57,985	-	79,613	180,487
Payroll taxes	33,313	19,734	53,047	9,501	26,073	-	35,574	88,621
Total salaries and benefits	<u>531,828</u>	<u>325,373</u>	<u>857,201</u>	<u>157,724</u>	<u>426,688</u>	<u>-</u>	<u>584,412</u>	<u>1,441,613</u>
Conferences/Training	3,468	2,972	6,440	1,172	4,984	-	6,156	12,596
Contract Labor	99,124	356	99,480	825	2,795	-	3,620	103,100
Bereavement/Burial	-	85,079	85,079	-	-	-	-	85,079
Family Assistance	15,048	5,838	20,886	-	-	-	-	20,886
Volunteers	24	4,230	4,254	7,166	457	-	7,623	11,877
Program Support	-	-	-	-	6,058	-	6,058	6,058
Maintenance/Repairs	159,278	-	159,278	-	-	-	-	159,278
Communication Services	7,474	2,778	10,252	1,240	4,454	-	5,694	15,946
Computer Services	35,513	16,373	51,886	7,095	19,428	-	26,523	78,409
Depreciation	553,414	4,299	557,713	263	2,104	-	2,367	560,080
Development	650	-	650	-	5,312	-	5,312	5,962
House Supplies	42,197	2,276	44,473	1,401	3,038	-	4,439	48,912
Insurance	12,317	8,475	20,792	3,627	11,507	-	15,134	35,926
Service Fees	-	-	-	43,606	-	-	43,606	43,606
Special Event Expenses	18,599	4,645	23,244	-	73,365	-	73,365	96,609
Postage	1,728	1,115	2,843	610	1,428	-	2,038	4,881
In-Kind Expense	525,471	7,250	532,721	69,725	44,480	-	114,205	646,926
Copier	4,723	2,150	6,873	1,021	2,887	-	3,908	10,781
Printing	22,004	1,860	23,864	-	8,628	-	8,628	32,492
Licenses and Permits	160	-	160	-	-	-	-	160
Office Supplies	36	191	227	2,483	28	-	2,511	2,738
Utilities	76,824	-	76,824	-	-	-	-	76,824
Other	(4,403)	809	(3,594)	(232)	2,278	-	2,046	(1,548)
Expansion Expense	1,405	13,217	14,622	6,818	4,700	-	11,518	26,140
Conducting Special Fundraising Events	-	-	-	-	-	181,470	181,470	181,470
Total other expenses	<u>1,575,054</u>	<u>163,913</u>	<u>1,738,967</u>	<u>146,820</u>	<u>197,931</u>	<u>181,470</u>	<u>526,221</u>	<u>2,265,188</u>
Total expenses	<u>\$ 2,106,882</u>	<u>\$ 489,286</u>	<u>\$ 2,596,168</u>	<u>\$ 304,544</u>	<u>\$ 624,619</u>	<u>\$ 181,470</u>	<u>\$ 1,110,633</u>	<u>\$ 3,706,801</u>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

Cash Flows From Operating Activities:	
Change in net assets	\$ 450,754
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	560,080
Land lease	9,383
Donated fixed assets	(27,150)
Investments earnings, net	(479,968)
Change in assets and liabilities:	
Promises to give and other receivables	(33,700)
Prepaid expenses	(110,575)
Accounts payable	48,638
Deferred revenue	39,937
Other liabilities	<u>15,606</u>
Net Cash Flows From Operating Activities	<u>473,005</u>
Cash Flows From Investing Activities:	
Proceeds from sales of investments	115,000
Purchases of investments	(412,000)
Purchases of property and equipment	<u>(38,652)</u>
Net Cash Flows Used By Investing Activities	<u>(335,652)</u>
Net Change in Cash and Cash Equivalents	137,353
Cash and Cash Equivalents, beginning of year	<u>569,543</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 706,896</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest expense	<u>\$ -</u>
Cash paid for income taxes	<u><u>\$ -</u></u>

See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. Organization

Ronald McDonald House Charities of Central Texas, Inc. (RMHC CTX or Organization) is a nonprofit charitable corporation. It is licensed by McDonald's Corporation and Ronald McDonald House Charities to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs. RMHC CTX's primary goal is to provide temporary, emergency lodging and support services to families with critically ill or injured children. RMHC CTX creates, finds and supports programs that directly improve the health and well-being of children and their families. This is accomplished through the following programs:

Housing Operations: Provides a home-away-from-home for families so they can stay close by their hospitalized child at little to no cost at the Ronald McDonald House® or at one of 6 Ronald McDonald House® Family Rooms located at various hospitals

Bereavement and Family Assistance: Includes the Healing Hearts burial assistance and bereavement program which provides free bereavement support to help families that have experienced perinatal and infant loss, and the Happy Wheels Hospitality Cart which is designed to support families at the hospital by distributing items such as complimentary coffee, snacks, coloring books and toys, toiletries, and other items

The Organization is primarily supported by fundraising events and contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of RMHC CTX have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Estimates

The preparation of financial statements in conformity with GAAP 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.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At December 31, 2019, the net assets without donor restrictions were undesignated.

Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to donor (or grantor) imposed stipulations. Some donor (or grantor) restrictions are temporary in nature, such as those that require the passage of time or the occurrence of a specific event. Other donor-imposed restrictions are perpetual in nature and require that the assets be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. When the donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

RMHC CTX considers all highly liquid investments with a purchased maturity of three months or less and purchased for use primarily in operations to be cash and cash equivalents, unless designated for investment purposes.

Promises To Give

RMHC CTX records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designated to reflect the assumptions market participants would use in pricing the assets. In subsequent years, interest income is included in contribution revenue in the statement of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. RMHC CTX has determined that all promises to give are fully collectable; therefore, no allowance for uncollectable promised to give was considered necessary as of December 31, 2019.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Beneficial Interest in Assets Held by the Austin Community Foundation

RMHC CTX established two endowment funds (the Funds) under the Austin Community Foundation (ACF), the RMHC of Austin and Central Texas Endowment Fund and the Raymond and Vivian Todd Endowment Fund. Both funds are perpetual in nature. These funds are managed to accomplish the designated charitable purpose – to provide general support for RMHC CTX. The amount available to grant from the Funds is determined by the ACF Board of Governors' spending policy, which currently allows for 5% of the Fund's value at December 31st to be available to grant in the following year. RMHC CTX has granted variance power to the Austin Community Foundation. Both endowment funds are subject to the provision of the articles of incorporation and bylaws of the Austin Community Foundation, including the power reserved by their Board of Governors to modify any condition or restriction on the distribution of funds if in its sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served the ACF. The funds are reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Property and Equipment

Property and equipment in excess of \$7,500 is capitalized and recorded at cost, or if donated, at fair value on the date of donation. Repairs and maintenance are charged to expense. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any gain or loss is included in the statement of activities. Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over their estimated useful lives using the straight-line method. Major categories of depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building and improvements	37 years
Furniture and fixtures	3 - 7 years

During the year ended December 31, 2019, RMHC CTX received donated assets in the amount of \$27,150.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue consists of special event underwriting for events occurring after December 31, 2019. During the year ended December 31, 2019, RMHC CTX recognized \$66,114 as deferred revenue and recognized \$26,177 of deferred revenue as earned revenue.

Revenue Recognition

Contributions - Contributions, including unconditional promises to give and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contracts with Customers - Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When the Organization receives payment in advance, a contract liability is recorded as deferred revenue and then reduced when the revenue is recognized.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the program services, administration and fundraising; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Federal Income Taxes

RMHC CTX is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to federal income tax on earnings from any unrelated business activities. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

RMHC CTX regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is “more-likely-than-not” to be sustained upon examination by the relevant taxing authority based on the merits of the position and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely to be realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires RMHC CTX to

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. RMHC CTX is generally no longer subject to tax examinations relating to US federal tax returns except for the past three years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting activities benefited based upon management's estimate of time and resources devoted to the function. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Personnel costs have been allocated based on time and effort spent in each area. General operations expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of RMHC CTX.

A portion of RMHC CTX's public relations and events efforts include education on the program utilization and impact. Therefore, RMHC CTX allocates 25% of its public relations and event expense to program expense. Relevant expense items include but may not be limited to newsletter, printing, appeal, event expense, donor relations and travel.

Change in Not-for-Profit Accounting Standards

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 has been applied on a modified prospective basis to agreements that were either not completed, or were entered into, after December 31, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09's core principle requires an entity to recognize revenue in a manner that depicts the transfer of goods and/or services to a customer in an amount that reflects the consideration to which it expects to be entitled in exchange for those good and/or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies (continued)

changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. The statement, effective for annual periods beginning after December 15, 2018, has been implemented using the modified retrospective approach and there were no significant changes in recognizing revenue from contracts with customers.

3. Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2019:

Within one year	\$	97,013
In one to five years		10,000
Over five years		-
		<u>107,013</u>
Less allowance for doubtful accounts		-
Promises to give, net	\$	<u><u>107,013</u></u>

4. Property and Equipment

Balances of major categories of property and equipment are as follows at December 31, 2019:

Buildings and improvements	\$	11,182,036
Family Rooms		1,437,859
Furniture and fixtures		197,118
Construction in progress		10,832
Less: Accumulated depreciation		<u>(4,865,008)</u>
Property and equipment, net of accumulated depreciation	\$	<u><u>7,962,837</u></u>

Depreciation expense was \$560,080 for the year ended December 31, 2019.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

5. Concentrations of Credit Risks

Certain financial instruments potentially subject RMHC CTX to concentrations of credit risk. These financial instruments consist primarily of cash deposits and investments. The cash policy of RMHC CTX limits the amount of credit exposure, and requires that cash be placed with high credit quality financial institutions. Credit risk on investments is limited due to wide diversification of the investment portfolio. The Finance Committee of the Board of Directors conducts regular reviews of the cash and investments portfolios to assure adherence to policy, and makes periodic reports to the Board of Directors. At December 31, 2019, RMHC CTX's deposits exceeded the federal depository insurance limits by \$272,269.

6. Investments

Investments are stated at fair value and consist of the following as of December 31, 2019:

<u>Description</u>	
Schwab Government Money	\$ 693,906
DFA U.S. Large Company Portfolio	735,266
DFA U.S. Large Cap Value	349,045
DFA U.S. Micro Cap Portfolio	248,050
DFA U.S. Small Cap Value	218,808
DFA International Value III Portfolio	193,254
DFA International Value Portfolio	18,773
DFA Real Estate	126,717
DFA International Small Cap Value	212,220
DFA Five Year Gbl Fixed Income	642,830
DFA Short Term Government Portfolio	939,847
Total investments	<u>\$ 4,378,716</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2019:

Interest, dividends, and other income	\$ 87,458
Unrealized gains	438,060
Investment service fees	<u>(18,617)</u>
Investment earnings, net	<u>\$ 506,901</u>

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

7. Retirement Plan

RMHC CTX has a 403(b) retirement plan (the “Plan”) for employees. The Plan allows all eligible employees to defer a portion of their income on a pretax basis through contributions to the Plan. During the year ended December 31, 2019, RMHC CTX contributed \$56,762 to the Plan.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2019:

Subject to expenditure for specified purpose:	
Family Room Program	\$ 718
House Program	154,826
Other programs	4,514
Total purpose restrictions	160,058
Subject to the passage of time:	
Time restrictions	107,013
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Restricted by donors for programs	2,446,123
Permanently restricted to general endowment:	
RMHC Endowment Fund Trust	527,500
RMHC of Austin and Central Texas Endowment Fund (ACF)	25,000
Raymond and Vivian Todd Endowment Fund (ACF)	100,000
Total permanently restricted to general endowment	652,500
Total Net Assets With Donor Restrictions	\$ 3,365,694

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 the donors as follows for the year ended December 31, 2019:

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

8. Net Assets With Donor Restrictions (continued)

Satisfaction of purpose restrictions:	
Healing Hearts Program	\$ 29,703
Family Room Program	16,053
House Program	104,244
Happy Wheels Hospitality Cart Program	13,581
Miscellaneous	65,943
Total released from purpose restrictions	229,524
Expiration of time restrictions	64,010
Total Net Assets Released from Restrictions	\$ 293,534

9. Endowments

Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC CTX has interpreted the 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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC CTX retains in perpetuity (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.

The remaining portion of the endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by RMHC CTX in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMHC CTX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the organization
- Investment policies of the organization.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. Endowments (continued)

As of December 31, 2019, endowment net asset composition by type of fund was as follows:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 652,500
Accumulated investment gains	2,446,123
Total endowment net assets	\$ 3,098,623

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHC CTX to retain as a fund of perpetual duration. At December 31, 2019, there were no endowment funds with deficiencies.

Return Objectives and Risk Parameters

RMHC CTX has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. RMHC CTX expects its endowment funds, over time, to provide an average rate of return of approximately 4 to 5% annually based on historical performance. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC CTX relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC CTX's Investment Policy targets a diversified asset allocation that places greater emphasis on fixed-income based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The account is swept annually and any realized or unrealized gains in excess of the corpus are available to offset program costs.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. Endowments (continued)

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 2,595,404
Contributions	-
Investment earnings, net	503,219
Appropriated for expense	-
Endowment net assets, end of year	\$ 3,098,623

10. Leases

RMHC CTX entered into a ground lease agreement with the Daughters of Charity Health Services of Austin to build a new house in 2004. The term of the ground lease is approximately fifty years and began on October 20, 2004. RMHC CTX intends to renegotiate the lease at the end of the term. The rent for the entire term of the ground lease is \$10, which was paid in full in 2005. RMHC CTX recognized the fair value of the lease of \$450,363. The value of the lease as of December 31, 2019 was \$337,767.

RMHC CTX entered into a 36-month lease for office space in Bryan, Texas which commenced in January 2017 and expired December 31, 2019. The lease was extended for an additional 36 months commencing January 2020. The monthly rental amount is \$1,600. Total rental expense under this lease was \$19,200 at December 31, 2019. The future minimum lease payments under this lease are \$19,200 annually in 2020, 2021 and 2022.

RMHC CTX also leases office equipment under operating lease agreements. Future minimum lease payments for the next five years as of December 31, 2019, are as follows:

Years Ending December 31,	Amount
2020	\$ 14,399
2021	12,846
2022	12,040
2023	7,138
2024	2,236
Total	\$ 48,659

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. Fair Value of Financial Instruments

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The following table sets forth RMHC CTX’s assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019:

Description	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 693,906	\$ -	\$ 693,906	\$ -
Mutual Funds	3,684,810	3,684,810	-	-
Total Investments	\$ 4,378,716	\$ 3,684,810	\$ 693,906	\$ -
Beneficial interest in ACF Endowments	\$ 143,485	\$ -	\$ -	\$ 143,485

The reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3) for the year ended December 31, 2019 is included in Note 13.

The carrying value of the financial instruments classified as current assets or current liabilities, including cash and cash equivalents, promises to give, prepaid expenses, accounts payable, deferred revenue and other liabilities, approximate their fair values due to their short maturities.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

12. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 706,896
Promises to give	97,013
Other receivables	3,500
Note receivable	1,200
Total Current Financial Assets	808,609

Less those unavailable for general expenditures within one year due to:

Donor-imposed restrictions:

Restricted by donor with purpose restrictions	(160,058)
Restricted by time	(34,668)

Financial assets available to meet cash need for general expenditures within one year \$ 613,883

RMHC CTX manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets, less current liabilities, at a minimum of 30 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

In addition, RMHC CTX has the following unrestricted funds included in the investment account that can be available if needed:

Investments, at fair value	4,378,716
Less permanently restricted to general endowment	(652,500)
Less endowment restricted by donor for programs	(2,446,123)
Total investments available for general expenditures	1,280,093

During the year ended December 31, 2019, the level of liquidity and reserves was managed within the policy requirements.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

13. Beneficial Interest in Assets Held by the Austin Community Foundation

The beneficial interest in assets held by the Austin Community Foundation was \$143,485 at December 31, 2019 and changes in net assets were as follows:

Beginning balance, December 31, 2018	\$ 123,909
Contributions	-
Interest and dividends	3,490
Gains/(losses) on investment	22,626
Distributions	(5,300)
Fees	(1,240)
Ending balance, December 31, 2019	<u>\$ 143,485</u>

14. In-Kind Contributions

RMHC CTX records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. During the year ending December 31, 2019, RMHC CTX received the following in-kind contributions:

<u>Description</u>	<u>Amount</u>
Facilities and space	\$ 190,257
Professional services	133,522
Donated goods	172,197
Advertising	165,132
Total In-kind Expense	<u>661,108</u>
Amortization of land lease	(9,383)
Donated assets	<u>27,150</u>
Total In-Kind Contributions	<u>\$ 678,875</u>

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

15. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the audited financial statements were available for issuance, August 14, 2020.

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future activities of the Organization. The Organization faces risks to its ability to hold its events later in the year, the possibility of decreased attendance at the events, and the possibility of decreased contributions due to the economic downturn. As there are fewer guest families in the Ronald McDonald House, there are fewer donations from families as well as reduced Medicaid reimbursements. Also, third party fundraising events in the community are largely being postponed or cancelled thus reducing potential contributions to the Organization from those events. Further, as the Organization depends on approximately one-third of its operating budget to come from a mix of corporate, foundation and individual donations, the Organization is anticipating that these giving levels will be significantly reduced.

To alleviate some of the financial burden, on April 28, 2020, the Organization obtained a Paycheck Protection Program (PPP) promissory note in the amount of \$273,400, with an interest rate of 1% per annum based on a year of 365 days until maturity, with monthly payments of \$15,386 beginning on November 28, 2020. The note payable matures on April 28, 2022. The Organization may use the proceeds of the loan only for purposes authorized by the PPP and may apply for loan forgiveness in whole or part. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact of this and other business disruptions cannot be reasonably estimated at this time.