

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

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2020

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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, 2020, 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, 2020, 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 13, 2021

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

**Assets**

Current Assets

Cash and cash equivalents	\$ 2,301,088
Pledges receivable, current portion, net of \$36,506 allowance for doubtful pledges	95,628
Other pledge receivables	4,300
Other receivables	2,814
Note receivable, net - current portion	1,200
Prepaid expenses	61,915
Total Current Assets	<u>2,466,945</u>

Pledges receivable, non-current	142,664
Note receivable, net of discount and current portion	21,596
Beneficial interest in assets held by ACF	152,742
Land lease, net	210,290
Investments, at fair value	4,517,940
Property and equipment, net of accumulated depreciation	<u>7,627,789</u>
Total Assets	<u><u>\$ 15,139,966</u></u>

**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 86,055
Deferred revenue	804,568
Payroll liabilities	76,204
Other liabilities	7,750

Total Current Liabilities	<u>974,577</u>
Total Liabilities	<u>974,577</u>

Net Assets

Without donor restrictions	10,315,012
With donor restrictions	<u>3,850,377</u>

Total Net Assets	<u>14,165,389</u>
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Total Liabilities and Net Assets	<u><u>\$ 15,139,966</u></u>
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See accompanying independent auditors' report and notes to financial statements.

RONALD McDONALD HOUSE CHARITIES  
OF CENTRAL TEXAS, INC.  
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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Fundraising events	\$ 1,214,440	\$ 78,444	\$ 1,292,884
Contributions - General	863,142	746,457	1,609,599
Grant income	154,697	-	154,697
Contributions - McDonald's related fundraising	330,904	-	330,904
Client donations	72,511	5,400	77,911
Investment earnings, net	(14,504)	174,188	159,684
In-kind donations	626,579	-	626,579
Loan forgiveness revenue	273,400	-	273,400
Other income	3,060	-	3,060
Total Revenue	<u>3,524,229</u>	<u>1,004,489</u>	<u>4,528,718</u>
Net assets released from restrictions	<u>519,806</u>	<u>(519,806)</u>	<u>-</u>
Total revenue and other support	<u>4,044,035</u>	<u>484,683</u>	<u>4,528,718</u>
Expenses			
Program services:			
House operations	2,718,382	-	2,718,382
Bereavement and family assistance	125,158	-	125,158
Total program services	<u>2,843,540</u>	<u>-</u>	<u>2,843,540</u>
Supporting services:			
Management and general	231,212	-	231,212
Fundraising and special events	835,907	-	835,907
Cost of direct benefits to donors	78,588	-	78,588
Total supporting services	<u>1,145,706</u>	<u>-</u>	<u>1,145,706</u>
Total Expenses	<u>3,989,247</u>	<u>-</u>	<u>3,989,247</u>
Change in net assets	54,788	484,683	539,471
Net assets, beginning of year	<u>10,260,224</u>	<u>3,365,694</u>	<u>13,625,918</u>
Net assets, end of year	<u>\$ 10,315,012</u>	<u>\$ 3,850,377</u>	<u>\$ 14,165,389</u>

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

RONALD McDONALD HOUSE CHARITIES  
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

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	\$ 782,135	\$ 48,592	\$ 830,727	\$ 66,716	\$ 387,215	\$ -	\$ 453,932	\$ 1,284,659
Employee benefits	106,454	9,309	115,763	13,940	49,287	-	63,227	178,990
Payroll taxes	56,522	3,378	59,901	4,810	27,919	-	32,730	92,630
Total salaries and benefits	945,111	61,280	1,006,391	85,467	464,421	-	549,888	1,556,278
Conferences/training	2,459	-	2,459	356	1,075	-	1,432	3,890
Contract labor	107,715	-	107,715	29,502	29,599	-	59,100	166,815
Bereavement/Burial	-	45,580	45,580	-	-	-	-	45,580
Family assistance	54,197	7,144	61,341	127	70	-	197	61,538
Volunteers	743	2,057	2,800	880	-	-	880	3,680
Program support	-	-	-	1,005	10,637	-	11,643	11,643
Maintenance/repairs	156,071	-	156,071	-	-	-	-	156,071
Communication services	11,434	409	11,843	553	4,691	-	5,245	17,087
Computer services	40,877	3,943	44,820	6,598	26,554	-	33,152	77,973
Depreciation	549,233	245	549,479	478	2,679	-	3,157	552,636
Development	-	-	-	-	5,141	-	5,141	5,141
House supplies	22,796	416	23,212	709	4,809	-	5,519	28,730
Bad debt expense	-	-	-	36,506	-	-	36,506	36,506
Insurance	21,593	1,231	22,825	4,761	9,702	-	14,462	37,287
Service fees	-	-	-	48,484	-	-	48,484	48,484
Special event expenses	17,696	-	17,696	2,199	58,721	-	60,920	78,616
Postage	3,575	150	3,726	831	2,832	-	3,663	7,389
In-Kind expense	667,378	2,365	669,744	9,549	65,985	-	75,534	745,278
Large equipment lease	9,727	277	10,005	537	3,106	-	3,644	13,648
Printing	13,780	-	13,780	-	20,888	-	20,888	34,668
Licenses & permits	20	-	20	-	-	-	-	20
Office supplies	164	6	170	2,335	123	-	2,457	2,627
Utilities	70,545	-	70,545	-	-	-	-	70,545
Other	5,198	55	5,253	334	1,892	-	2,226	7,479
Expansion expense	18,068	-	18,068	-	122,982	-	122,982	141,051
Cost of direct benefit to donors	-	-	-	-	-	78,588	78,588	78,588
Total other expenses	1,773,271	63,879	1,837,150	145,745	371,486	78,588	595,818	2,432,968
Total expenses	\$ 2,718,382	\$ 125,158	\$ 2,843,540	\$ 231,212	\$ 835,907	\$ 78,588	\$ 1,145,706	\$ 3,989,247

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

RONALD McDONALD HOUSE CHARITIES  
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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities:	
Change in net assets	\$ 539,471
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	552,636
Land lease	127,477
Bad debt expense	36,506
Investments earnings, net	(153,981)
Change in assets and liabilities:	
Promises to give and other receivables	(162,827)
Prepaid expenses	113,099
Accounts payable	(12,247)
Deferred revenue	738,454
Other liabilities	<u>33,192</u>
Net Cash Flows From Operating Activities	<u>1,811,780</u>
Cash Flows From Investing Activities:	
Purchases of property and equipment	<u>(217,588)</u>
Net Cash Flows Used By Investing Activities	<u>(217,588)</u>
Net Change in Cash and Cash Equivalents	1,594,192
Cash and Cash Equivalents, beginning of year	<u>706,896</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 2,301,088</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  
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**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 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 program, 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.



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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**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, 2020, 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.

**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.

**Pledges Receivable**

RMHC CTX records unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional pledges receivable 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 doubtful pledges is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. RMHC CTX has recorded an allowance for doubtful pledges of \$36,506 as of December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (continued)**

**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 31<sup>st</sup> 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

**Deferred Revenue**

Deferred revenue consists of special event underwriting for events occurring after December 31, 2020 as well as the unspent portion of a conditional grant received in 2020. During the year ended, December 31, 2020, RMHC CTX received a \$1,000,000 conditional matching grant restricted for house expansion of which \$294,150 was recognized as revenue as the Organization matched this amount in contributions for the capital campaign, the remaining balance of \$705,850 is included as deferred revenue. During the year ended December 31, 2020, RMHC CTX recognized \$804,568 as deferred revenue and recognized \$66,114 of prior year deferred revenue as earned revenue.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**2. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

*Contributions* - Contributions, including unconditional pledges receivable 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 pledges receivable 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 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.

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NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (continued)**

**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.

**Risks and Uncertainties**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact future activities of the Association. The continuing disruption is having broad and negative impact on the US economy and the ability of the Association to hold in person programs and events. However, the related financial impact of this and other business disruptions cannot be reasonably estimated at this time.

**Change in Not-for-Profit Accounting Standards**

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 82): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity's financial statements. ASU 2018-13 takes effect for not-for-profit entities for fiscal years beginning after December 15, 2019. ASU 2018-13 has been applied prospectively beginning after December 31, 2019, with no significant impact on the financial statement disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual period beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently considering the impact of ASU 2020-07.

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**2. Summary of Significant Accounting Policies (continued)**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This guidance impacts the presentation of an entity's leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. ASU 2016-02 was scheduled to become effective for fiscal years beginning after December 15, 2019, but has been delayed until annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

**3. Promises to Give**

Unconditional promises to give are estimated to be collected as follows at December 31, 2020:

Within one year	\$ 132,134
In one to five years	142,664
Over five years	-
	<hr/> 274,798
Less allowance for doubtful pledges	(36,506)
Pledges receivable, net of allowance for doubtful pledges	<hr/> <u>\$ 238,292</u>

**4. Property and Equipment**

Balances of major categories of property and equipment are as follows at December 31, 2020:

Buildings and improvements	\$ 11,325,530
Family Rooms	1,437,859
Furniture and fixtures	197,118
Construction in progress	84,925
Less: Accumulated depreciation	<hr/> (5,417,643)
Property and equipment, net of accumulated depreciation	<hr/> <u>\$ 7,627,789</u>

Depreciation expense was \$552,636 for the year ended December 31, 2020.

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**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, 2020, RMHC CTX's deposits exceeded the federal depository insurance limits by \$905,330.

**6. Investments**

Investments are stated at fair value and consist of the following as of December 31, 2020:

Description	
Schwab Government Money	\$ 693,905
DFA U.S. Large Company Portfolio	773,425
DFA U.S. Large Cap Value I	39,092
DFA U.S. Large Cap Value III	299,628
DFA U.S. Micro Cap Portfolio	260,852
DFA U.S. Small Cap Value	218,523
DFA International Value III Portfolio	184,464
DFA International Value I Portfolio	23,382
DFA Real Estate	116,189
DFA International Small Cap Value	215,509
DFA Five Year Glbl Fixed Income	699,263
DFA Short Term Government Portfolio	993,708
Total investments	<u>\$ 4,517,940</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

Interest, dividends, and other income	\$ 68,367
Unrealized gains	110,088
Investment service fees	<u>(18,771)</u>
Investment earnings, net	<u>\$ 159,684</u>

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DECEMBER 31, 2020

**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, 2020, RMHC CTX contributed \$62,731 to the Plan.

**8. Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31, 2020:

Subject to expenditure for specified purpose:	
Family Room Program	\$ 960
House Program	3,902
Capital Expansion	477,066
Other programs	5,128
Total purpose restrictions	<u>487,056</u>
Subject to the passage of time:	
Time restrictions	96,010
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Restricted by donors for programs	2,614,811
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	<u>652,500</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 3,850,377</u></u>

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DECEMBER 31, 2020

**8. Net Assets With Donor Restrictions (continued)**

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, 2020:

Satisfaction of purpose restrictions:

Healing Hearts Program	\$ 38,645
Family Room Program	4,443
House Program	323,614
Happy Wheels Hospitality Cart Program	11,879
Endowment	5,500
Miscellaneous	39,512
Total released from purpose restrictions	<u>423,593</u>

Expiration of time restrictions	<u>96,213</u>
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Total Net Assets Released from Restrictions	<u><u>\$ 519,806</u></u>
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**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:



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**9. Endowments (continued)**

- 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.

As of December 31, 2020, endowment net asset composition by type of fund was as follows:

	<u>With Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 652,500
Accumulated investment gains	2,614,811
Total endowment net assets	<u>\$ 3,267,311</u>

*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, 2020, 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.

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**9. Endowments (continued)**

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 3,098,623
Contributions	-
Investment earnings, net	174,188
Appropriated for expense	(5,500)
Endowment net assets, end of year	\$ 3,267,311

**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 original term of the ground lease was approximately thirty years and began on October 20, 2004. In July 2021, RMHC CTX renegotiated an amendment to the lease to have the option to renew the term of the lease for an additional 2 terms of 25 years. 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, 2020 was \$210,290.

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, 2020. 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 for all operating leases as of December 31, 2020, are as follows:

Years Ending December 31,	Amount
2021	\$ 10,878
2022	10,878
2023	5,976
2024	1,074
2025	1,343
Total	\$ 30,149

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**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, 2020:

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)
Government Bond Funds	\$ 693,906	\$ 693,906	\$ -	\$ -
Mutual Funds	3,824,034	3,824,034	-	-
Total Investments	\$ 4,517,940	\$ 4,517,940	\$ -	\$ -
Beneficial interest in ACF Endowments	\$ 152,742	\$ -	\$ -	\$ 152,742

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**11. Fair Value of Financial Instruments (continued)**

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, 2020 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.

**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	\$ 2,301,088
Promises to give	99,928
Other receivables	2,814
Note receivable	1,200
Total Current Financial Assets	<u>2,405,030</u>

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

Donor-imposed restrictions:

Restricted by donor with purpose restrictions	(487,056)
Restricted by time	<u>(96,010)</u>

Financial assets available to meet cash need for general expenditures within one year

\$ 1,821,964

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.

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**12. Liquidity and Availability (continued)**

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

Investments, at fair value	\$ 4,517,940
Less permanently restricted to general endowment	(652,500)
Less endowment restricted by donor for programs	(2,614,811)
Total investments available for general expenditures	<u>\$ 1,250,629</u>

During the year ended December 31, 2020, the level of liquidity and reserves was managed within the policy requirements.

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

The beneficial interest in assets held by the Austin Community Foundation was \$152,742 at December 31, 2020 and changes in net assets were as follows:

Beginning balance, December 31, 2019	\$ 143,485
Investment income	15,985
Distributions	(5,500)
Fees	(1,228)
Ending balance, December 31, 2020	<u>\$ 152,742</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, 2020, RMHC CTX received the following in-kind contributions:

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**14. In-Kind Contributions (continued)**

Description	Amount
Facilities and space	\$ 330,986
Professional services	96,486
Donated goods	82,163
House services	20,663
Event rental	1,638
Other	11,293
Advertising	202,049
Total In-Kind Expense	<u>745,278</u>
Amortization of land lease	(127,477)
Donated labor	<u>8,778</u>
Total In-Kind Contributions	<u><u>\$ 626,579</u></u>

**15. Loan Forgiveness Revenue**

On April 28, 2020, RMHC CTX was approved for a Paycheck Protection Program (PPP) promissory note in the amount of \$273,400, with an interest rate of 1% annum based on a year of 365 days until maturity. RMHC CTX used the proceeds of the loan only for purposes authorized by the PPP. RMHC CTX initially recorded a loan payable and subsequently recorded revenue when the obligation was legally released on November 2, 2020. \$273,400 was recognized as loan forgiveness revenue in the statement of activities for the year ended December 31, 2020.

**16. Capital Campaign**

In 2020, RMHC CTX began a capital campaign for campus expansion. The *A Place Like Home* \$30M expansion will include the build out of an additional 40,500 feet on the existing campus to accommodate 51 additional guest suites as well as some renovation in the existing structure to better accommodate more families and staff. When the project is complete, RMHC CTX will be able to serve 81 families every night at the Ronald McDonald House. As of December 31, 2020 RMHC CTX raised \$590,300 for the house expansion which is included in contribution revenue.

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**17. 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 13, 2021. There were no subsequent events that qualified for disclosure.