

**RONALD MCDONALD HOUSE
CHARITIES OF AMARILLO, INC.**

AMARILLO, TX

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC.
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ronald McDonald House Charities of Amarillo, Inc.

I have audited the accompanying financial statements of Ronald McDonald House Charities of Amarillo, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Amarillo, Inc. as of December 31, 2019 and 2018, 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.

Emphasis-of-Matter

As discussed in Notes 18 and 19 to the financial statements, the Organization is in the process of replacing its existing facility with new construction. My opinion is not modified with respect to this matter.

As discussed in Note 20 to the financial statements, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, Financial Accounting Standards Update 2016-18, *Restricted Cash*, and Financial Accounting Standards Update 2018-08, *Accounting guidance for Contributions Received and Made*.

Victor B. Glenn

Amarillo, TX
August 24, 2020

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 220,153	\$ 230,477
Accounts Receivable, Net	9,062	555
Contributions Receivable, Net	237,006	121,840
Short-Term Investments	1,113,137	868,953
Prepaid Expenses	21,025	6,016
Total Current Assets	1,600,383	1,227,841
NONCURRENT ASSETS		
Contributions Receivable, Net	94,177	219,221
Cash Restricted for Long Term Purposes	1,566,364	710,443
Investments	645,926	647,203
Property and Equipment, Net	197,414	1,310,780
Total Noncurrent Assets	2,503,881	2,887,647
Total Assets	\$ 4,104,264	\$ 4,115,488
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 37,951	\$ 14,283
Total Current Liabilities	37,951	14,283
Total Liabilities	37,951	14,283
NET ASSETS		
Without Donor Restrictions	1,344,574	2,305,467
With Donor Restrictions	2,721,739	1,795,738
Total Net Assets	4,066,313	4,101,205
Total Liabilities and Net Assets	\$ 4,104,264	\$ 4,115,488

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 423,838	\$ 989,314	\$ 1,413,152	\$ 424,480	\$ 1,258,159	\$ 1,682,639
Special Events Revenue	153,479	-	153,479	188,223	-	188,223
Room Donations/Fees	51,170	-	51,170	78,480	-	78,480
Other Income	5,410	-	5,410	9,007	-	9,007
Net Assets Released from Restrictions	183,517	(183,517)	-	267,869	(267,869)	-
Total Revenues and Other Support	<u>817,414</u>	<u>805,797</u>	<u>1,623,211</u>	<u>968,059</u>	<u>990,290</u>	<u>1,958,349</u>
EXPENSES AND OTHER PAYMENTS						
Program Services	443,839	-	443,839	588,196	-	588,196
Cost of Direct Benefits to Donors	42,536	-	42,536	68,197	-	68,197
Management and General Administration	147,513	-	147,513	151,587	-	151,587
Fundraising	148,128	-	148,128	146,650	-	146,650
Total Expenses	<u>782,016</u>	<u>-</u>	<u>782,016</u>	<u>954,630</u>	<u>-</u>	<u>954,630</u>
Unallocated Payments to RMHC Global	-	-	-	1,816	-	1,816
Total Expenses and Payments	<u>782,016</u>	<u>-</u>	<u>782,016</u>	<u>956,446</u>	<u>-</u>	<u>956,446</u>
CHANGE IN NET ASSETS FROM OPERATIONS	35,398	805,797	841,195	11,613	990,290	1,001,903
INVESTMENT INCOME, NET	<u>149,540</u>	<u>120,204</u>	<u>269,744</u>	<u>(74,656)</u>	<u>(65,285)</u>	<u>(139,941)</u>
CHANGE IN NET ASSETS BEFORE IMPAIRMENT LOSS	184,938	926,001	1,110,939	(63,043)	925,005	861,962
IMPAIRMENT LOSS	<u>(1,145,831)</u>	<u>-</u>	<u>(1,145,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(960,893)	926,001	(34,892)	(63,043)	925,005	861,962
Net Assets - Beginning of Year	<u>2,305,467</u>	<u>1,795,738</u>	<u>4,101,205</u>	<u>2,368,510</u>	<u>870,733</u>	<u>3,239,243</u>
NET ASSETS - END OF YEAR	<u>\$ 1,344,574</u>	<u>\$ 2,721,739</u>	<u>\$ 4,066,313</u>	<u>\$ 2,305,467</u>	<u>\$ 1,795,738</u>	<u>\$ 4,101,205</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services			Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Room	Total				
Salaries	\$ 162,234	\$ 20,504	\$ 182,738	\$ 63,674	\$ 53,797	\$ -	\$ 300,209
Employee Benefits	16,441	3,523	19,964	7,510	6,834	-	34,308
Payroll Taxes	11,638	1,471	13,109	4,568	3,859	-	21,536
Total Salaries and Related Expenses	190,313	25,498	215,811	75,752	64,490	-	356,053
Advertising	-	-	-	-	10,040	-	10,040
Automobile	1,109	-	1,109	646	92	-	1,847
Cleaning Services and Supplies	-	3,650	3,650	-	-	-	3,650
Depreciation	37,462	-	37,462	4,163	-	-	41,625
Direct Mail	-	-	-	-	58,454	-	58,454
Donor Recognition	41	-	41	7	-	-	48
Family Support Services and Supplies	43,895	8,087	51,982	-	-	-	51,982
Fundraising Supplies	-	-	-	-	-	35,051	35,051
Insurance	25,143	-	25,143	6,286	555	-	31,984
Maintenance and Repairs	7,085	-	7,085	-	-	-	7,085
Meetings, Education and Training	4,142	-	4,142	2,417	345	-	6,904
Office Supplies	4,881	-	4,881	-	-	-	4,881
Postage and Courier	240	-	240	1,077	1,077	-	2,394
Printing and Publishing	524	-	524	2,364	2,363	-	5,251
Professional Fees	-	-	-	15,753	10,000	1,479	27,232
Rent	33,650	20,400	54,050	33,648	-	4,157	91,855
Technology	6,535	-	6,535	-	-	-	6,535
Telephone	2,935	-	2,935	2,027	98	-	5,060
Travel, Meals, and Entertainment	602	-	602	351	50	1,429	2,432
Utilities	16,915	-	16,915	1,316	564	-	18,795
Volunteer Resources and Recognition	2,096	7,300	9,396	370	-	420	10,186
Other	1,336	-	1,336	1,336	-	-	2,672
Total Expenses	\$ 378,904	\$ 64,935	\$ 443,839	\$ 147,513	\$ 148,128	\$ 42,536	\$ 782,016

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services			Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Room	Total				
Salaries	\$ 212,267	\$ -	\$ 212,267	\$ 49,930	\$ 16,588	\$ -	\$ 278,785
Employee Benefits	34,786	-	34,786	1,984	1,191	-	37,961
Payroll Taxes	15,720	-	15,720	3,698	1,228	-	20,646
Total Salaries and Related Expenses	262,773	-	262,773	55,612	19,007	-	337,392
Advertising	-	-	-	-	16,099	-	16,099
Automobile	1,136	-	1,136	663	95	-	1,894
Cleaning Services and Supplies	288	3,650	3,938	-	923	-	4,861
Depreciation	53,196	-	53,196	5,911	-	-	59,107
Direct Mail	-	-	-	-	52,282	-	52,282
Donor Recognition	380	-	380	67	-	-	447
Family Support Services and Supplies	64,677	8,664	73,341	-	-	-	73,341
Fundraising Supplies	-	-	-	-	960	39,605	40,565
Insurance	25,910	-	25,910	6,477	-	-	32,387
Linens and Laundry	9,926	-	9,926	-	-	-	9,926
Maintenance and Repairs	17,150	-	17,150	-	-	-	17,150
Meetings, Education and Training	9,158	-	9,158	5,343	763	-	15,264
Office Supplies	8,047	-	8,047	-	-	-	8,047
Postage and Courier	302	-	302	1,359	1,359	-	3,020
Printing and Publishing	344	-	344	1,549	4,105	-	5,998
Professional Fees	-	-	-	11,128	50,000	1,768	62,896
Rent	407	20,400	20,807	406	-	16,797	38,010
Technology	7,105	-	7,105	-	-	-	7,105
Telephone	3,106	-	3,106	2,041	104	-	5,251
Travel, Meals, and Entertainment	2,878	-	2,878	1,679	240	10,027	14,824
Utilities	21,386	-	21,386	1,663	713	-	23,762
Volunteer Resources and Recognition	2,822	7,300	10,122	498	-	-	10,620
Other	57,191	-	57,191	57,191	-	-	114,382
Total Expenses	\$ 548,182	\$ 40,014	\$ 588,196	\$ 151,587	\$ 146,650	\$ 68,197	\$ 954,630

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (34,892)	\$ 861,962
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	41,625	59,107
Impairment Loss	1,145,831	-
Contributions With Donor Restrictions	(921,351)	(705,034)
Net Realized and Unrealized (Gains) Losses on Investments	(212,270)	186,670
Non-Cash Contributions of Furniture, Fixtures, and Securities	(54,324)	(41,467)
(Increase) Decrease in Assets:		
Accounts Receivable	(8,507)	1,395
Contributions Receivable	9,878	(341,061)
Prepaid Expenses	(15,009)	8,052
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	23,668	(1,801)
Net Cash Provided (Used) by Operating Activities	<u>(25,351)</u>	<u>27,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,089,785)	(292,036)
Proceeds from Sale of Investments	1,109,375	323,842
Purchases of Property and Equipment	<u>(69,993)</u>	<u>(101,474)</u>
Net Cash Used by Investing Activities	<u>(50,403)</u>	<u>(69,668)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of Contributions Restricted for Long-Term Purposes:		
Property Acquisition	896,351	705,034
Endowment	<u>25,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>921,351</u>	<u>705,034</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	845,597	663,189
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>940,920</u>	<u>277,731</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,786,517</u>	<u>\$ 940,920</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated Furniture and Fixtures	\$ 4,097	\$ 1,500
Donated Securities	<u>50,227</u>	<u>39,967</u>
	<u>\$ 54,324</u>	<u>\$ 41,467</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Amarillo, Inc. (the Organization) is a Texas nonprofit charitable corporation formed in 1983. The mission of Ronald McDonald House Charities 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 programs, operated by the Organization, represent the core functions 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 program located in Amarillo, TX, which provides 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.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal, or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program in Northwest Texas Hospital serves as a place of respite, relaxation, and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

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. 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.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

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. 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. When deemed uncollectible, contributions receivable are written off through a charge to the valuation allowance and a credit to contributions receivable. The Organization has recorded an allowance for uncollectible receivables of \$37,896 as of December 31, 2019.

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 income are included in the statements of activities.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$500 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	3 - 10 Years
Vehicles	5 Years

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.

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.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The governing board has designated, from net assets without donor restrictions, net assets of \$380,074 for capital expenditures.

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.

Revenue Recognition

Contributions and Grants

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

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.

Third-party Reimbursements

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, utilities, meetings, education and training, and telephone, which are allocated based on management's percentages; and salaries and wages, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

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. 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.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2018 to conform to the presentation for the year ended December 31, 2019. The reclassifications had no impact on previously reported net assets balances.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Cash and cash equivalents	\$ 220,153	\$ 230,477
Cash restricted for acquisition of property	1,540,087	710,443
Cash restricted as permanent endowment	26,277	-
Cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 1,786,517	\$ 940,920

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 1,786,517	\$ 940,920
Accounts Receivable	9,062	555
Contributions Receivable	331,183	341,061
Investments	<u>1,759,063</u>	<u>1,516,156</u>
 Total Financial Assets	 3,885,825	 2,798,692
 Less:		
Receivables Due in Period Beyond One Year	(94,177)	(219,221)
Donor Restricted for Period Beyond One Year	(1,566,364)	(710,443)
Board Designated (Not Appropriated for Next Year)	(533,435)	
Endowment Investments (Restricted in Perpetuity)	<u>(645,926)</u>	<u>(647,203)</u>
 Total Financial Assets Available Within One Year	 <u>\$ 1,045,923</u>	 <u>\$ 1,221,825</u>

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

The board of directors has designated cash reserves that are not expected to be available within the next year; however, the board of directors could make the reserve available if necessary. The goal of the board is to maintain financial assets at a level equal to six months of operating expenses which is approximately \$400,000.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

	2019	2018
Amounts due in:		
Less than One Year	\$ 237,006	\$ 184,957
One to Five Years	141,581	281,194
Total	378,587	466,151
Unamortized Discount	(9,508)	(15,358)
Allowance for Uncollectibles	(37,896)	(109,732)
Net Contributions Receivable	\$ 331,183	\$ 341,061

The discount rates used for the years ended December 31, 2019 and 2018 were 2.25% and 2.87%, respectively.

Conditional promises to give at December 31, 2019 consist of promises to give in the amount of \$675,000 for the construction of a new building.

NOTE 5 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.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets measured on a recurring basis as of December 31, 2019 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 684,170	\$ 5,867	\$ -	\$ 690,037
International Equity	162,034	-	-	162,034
Global	-	34,028	-	34,028
Real Estate	67,886	10,560	-	78,446
Asset Allocation	104,169	-	-	104,169
Bonds	-	252,033	-	252,033
Equity Securities:				
U.S. Corporate Equity Securities	49,998	-	-	49,998
Foreign Equity Securities	5,215	-	-	5,215
Debt Securities:				
Municipal	262	78,737	-	78,999
Government	40,713	-	-	40,713
Corporate	53,068	136,377	-	189,445
Mortgage-Backed Securities	73,946	-	-	73,946
Total Assets	<u>\$ 1,241,461</u>	<u>\$ 517,602</u>	<u>\$ -</u>	<u>\$ 1,759,063</u>

The fair values of assets measured on a recurring basis as of December 31, 2018 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 240,657	\$ -	\$ -	\$ 240,657
International Equity	111,016	-	-	111,016
Real Estate	54,233	-	-	54,233
Asset Allocation	89,115	-	-	89,115
Bonds	-	134,838	-	134,838
Equity Securities:				
U.S. Corporate Equity Securities	517,746	19,734	-	537,480
Foreign Equity Securities	70,714	-	-	70,714
Debt Securities:				
Municipal	-	76,235	-	76,235
Corporate	-	127,577	-	127,577
Real Estate	-	74,291	-	74,291
Total Assets	<u>\$ 1,083,481</u>	<u>\$ 432,675</u>	<u>\$ -</u>	<u>\$ 1,516,156</u>

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.

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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

Overall Investment Objective

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. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors which oversees the Organization's investment program in accordance with established guidelines.

Allocation of Investment Strategies In addition to traditional stocks and fixed income securities, the Organization may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving real asset strategies. Real estate funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Organization's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Interest and Dividend Income, Net	\$ 43,240	\$ 39,666
Capital Gain Distributions	14,234	7,064
Realized and Unrealized Gains, Net	212,270	(186,671)
Investment Income, Net	\$ 269,744	\$ (139,941)

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NOTE 6 ENDOWMENT FUNDS

The Organization's endowment consists of funds established by donors to provide annual funding for general operations.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization 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 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

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 produce a reasonable income while maintaining a minimum reserve of approximately two years' operating budget excluding depreciation. 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. The Organization has a policy that allows the Organization to appropriate any future interest or investment income generated from the fund.

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2019:

Endowment net assets, beginning of year	\$ 744,274
Investment return, net	109,207
Contributions	25,000
Appropriation of endowment assets for expenditure	<u>(194,759)</u>
Endowment net assets, end of year	<u>\$ 683,723</u>

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2018:

Endowment net assets, beginning of year	\$ 865,733
Investment return, net	(71,459)
Contributions	-
Appropriation of endowment assets for expenditure	<u>(50,000)</u>
Endowment net assets, end of year	<u>\$ 744,274</u>

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, 2019 and 2018.

NOTE 7 PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 4,130	\$ 4,130
Buildings and Improvements	115,203	2,689,082
Construction in Progress	168,353	101,231
Office Furniture and Equipment	166,253	314,124
Automobiles	53,792	53,792
Total, at Cost	<u>507,731</u>	<u>3,162,359</u>
Accumulated Depreciation	<u>(310,317)</u>	<u>(1,851,579)</u>
Total Property and Equipment	<u>\$ 197,414</u>	<u>\$ 1,310,780</u>

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to expenditure for specific purpose:		
Program Activities:		
Ronald McDonald House Rebuild	\$ 1,871,270	\$ 1,051,464
Temporary Housing During Construction	17,720	-
Total – Subject to expenditure for specific purpose	1,888,990	1,051,464
Subject to the Organization’s spending policy and appropriation:		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	672,203	647,203
Accumulated Gain (Losses)	11,520	97,071
Total – Ronald McDonald House Operations	683,723	744,274
 Total net assets with donor restrictions	 \$ 2,572,713	 \$ 1,795,738

NOTE 9 NET ASSETS 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:

	2019	2018
Purpose restrictions accomplished:		
Ronald McDonald House Rebuild	\$ 72,446	\$ 211,695
Temporary Housing During Construction	60,120	-
Ronald McDonald House Operations	187,259	-
Investment Fees	5,354	6,174
Capital Campaign expenses	7,500	50,000
 Total restrictions released	 \$ 332,679	 \$ 267,869

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 LIMITATIONS ON NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes as of December 31:

	2019	2018
Capital Expenditures	\$ 30,074	\$ 30,074
Ronald McDonald House Rebuild	350,000	350,000
Operating Reserve	153,361	-
Total	\$ 533,435	\$ 380,074

NOTE 11 DONATED GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31 are as follows:

	2019	2018
In-kind Supplies	\$ 41,733	\$ 51,724
Donated Property and Equipment	4,097	1,750
Fundraising Expenses	4,545	28,431
Repairs and Maintenance	1,520	1,901
Use of Facility	337	-
Professional Services	2,193	-
Total	\$ 54,425	\$ 83,806

The Organization also received contributions of service hours from volunteers. The total amount of volunteer hours for 2019 and 2018 was 9,534 and 10,547, respectively. The estimated value of these volunteer hours for 2019 and 2018 was \$242,450 and \$260,405, respectively. These values were determined from the average hourly wage for nonagricultural workers established by the Economic Report of the President. They are not included in the statement of activities, because they do not require a specialized skill as required by accounting principles generally accepted in the United States of America.

The Organization has the use throughout the year for space at a local hospital for family use. The estimated fair market value of the donated space is \$35,000.

NOTE 12 EMPLOYEE BENEFIT PLAN

The Organization has a Simple IRA plan. The plan is available to all full-time employees of the Organization meeting minimum eligibility requirements of at least \$5,000 in earnings in any prior two years and the reasonable expectation to do so in the current year. If an employee chooses to participate, the Organization matches up to the first 3% of the employee's salary. Employees may make contributions to the plan up to the individual annual limit of \$12,500 to \$15,000 depending on their age. Employer contributions to the plan were \$3,598 and \$3,924 for the years ended December 31, 2019 and 2018, respectively.

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NOTE 13 OPERATING LEASES

The Organization has several non-cancelable operating leases, primarily for various forms of equipment and facility space that expire at various dates through April 2021. All leases expiring after December 31, 2019 are prepaid through the end of the lease terms. Lease expense was \$68,017 and \$4,988 for each of the years ended December 31, 2019 and 2018, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

The Organization has an investment account with an investment services company in which a member of the Board is the financial representative on the account. The related party transaction was consummated on terms equivalent or at lessor costs than those that would prevail in similar arm's length transactions with non-related parties.

NOTE 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, 2019 and 2018, the Organization received \$45,203 and \$30,335, respectively, from these revenue streams.

NOTE 16 CONCENTRATION OF RISK

The Organization maintains its cash and cash equivalent balances in several institutions. At December 31, 2019, the Organization's cash and cash equivalents exceeded federally insured limits by \$1,157,931. The Board of Directors believes that the Organization has no significant risk of loss on these accounts due to the failure of the institutions.

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NOTE 17 COMMITMENTS

The Organization is in the process of replacing its existing facility with new construction at the existing location. Construction costs to date, which have been capitalized as construction in progress, are \$168,353 as of December 31, 2019. The Organization expects the additional costs to complete the project will be between \$3.5 to \$4 million.

NOTE 18 CHANGE IN ACCOUNTING ESTIMATES AND IMPAIRMENT LOSS

As discussed in Note 14, the Organization is in the process of replacing its existing facility. The existing facility was abandoned in September 2019, but was not torn down until early 2020. The change in the remaining estimated depreciable life of the building and related improvements is a change in accounting estimate. The building and related improvements are accounted for as impaired assets and the remaining carrying value of \$1,145,831 has been recognized in the statement of activities as an impairment loss for the current period.

NOTE 19 SUBSEQUENT EVENTS

Management evaluated subsequent events through August 24, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

As of March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 20 CHANGE IN ACCOUNTING PRINCIPLE

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

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NOTE 20 CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

In August, 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230); Classification of Certain Cash Receipts and Cash Payments. This ASU required cash restricted to long-term purposes to now be included in the cash and cash equivalents amounts shown in the Statement of Cash Flows. Previously, cash restricted to long-term purposes was excluded. The Organization's Statement of Cash Flows reflects the adoption of ASU 2016-15 applied retrospectively.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

NOTE 21 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, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.