

**FINANCIAL STATEMENTS**

**RONALD McDONALD HOUSE CHARITIES OF  
NORTHWEST FLORIDA, INC.**

**DECEMBER 31, 2019 AND 2018**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Ronald McDonald House Charities  
of Northwest Florida, Inc.  
Pensacola, Florida

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northwest Florida, 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**

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 Organization'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 Organization'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 Northwest Florida, 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.

Pensacola, Florida  
August 31, 2020

*Brown Thornton-*  
*Poenta & Company PA*

**STATEMENTS OF FINANCIAL POSITION**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**December 31, 2019 and 2018**

<u>ASSETS</u>		
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 422,440	\$ 497,618
Contribution receivables, net	-	12,496
Prepaid expenses	34,565	33,628
Unconditional promises to give, net	373,861	394,198
Cash surrender value of life insurance	15,048	15,722
Investments	2,612,153	2,210,424
Property and equipment, net	3,593,849	3,616,698
Construction in progress	8,337	59,394
Deposits	2,000	2,000
Total assets	\$ 7,062,253	\$ 6,842,178
 <u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Accounts payable	\$ 6,654	\$ 18,665
Accrued payroll	39,655	49,244
Accrued compensated absences	44,894	39,846
Total liabilities	91,203	107,755
 <b>NET ASSETS</b>		
Without donor restriction	5,545,939	5,382,115
With donor restriction	1,425,111	1,352,308
Total net assets	6,971,050	6,734,423
Total liabilities and net assets	\$ 7,062,253	\$ 6,842,178

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

**STATEMENT OF ACTIVITIES**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**Year Ended December 31, 2019**

	<u>Net Assets Without Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
<b>Change in net assets</b>			
<b>Public support and revenue</b>			
Contributions	\$ 837,251	\$ 218,623	\$ 1,055,874
In-kind contributions	430,213	-	430,213
Special events revenue	118,830	-	118,830
Less direct benefits costs	<u>(40,355)</u>	<u>-</u>	<u>(40,355)</u>
Net revenue from special events	78,475	-	78,475
RMI room donations and fees	24,133	-	24,133
Net assets released from restriction	<u>145,820</u>	<u>(145,820)</u>	<u>-</u>
Total revenues and other support	1,515,892	72,803	1,588,695
<b>Expenses</b>			
Program services	1,470,333	-	1,470,333
Supporting services:			
General and administrative	84,679	-	84,679
Fundraising	<u>212,011</u>	<u>-</u>	<u>212,011</u>
Total expenses	<u>1,767,022</u>	<u>-</u>	<u>1,767,022</u>
Change in net assets from operations	(251,130)	72,803	(178,327)
Investment income, net	<u>414,954</u>	<u>-</u>	<u>414,954</u>
Change in net assets	163,824	72,803	236,627
Net assets, beginning of year	<u>5,382,115</u>	<u>1,352,308</u>	<u>6,734,423</u>
Net assets, end of year	<u>\$ 5,545,939</u>	<u>\$ 1,425,111</u>	<u>\$ 6,971,050</u>

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

**STATEMENT OF ACTIVITIES**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**Year Ended December 31, 2018**

	<u>Net Assets Without Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
Change in net assets			
Public support and revenue			
Contributions	\$ 776,308	\$ 241,961	\$ 1,018,269
In-kind contributions	522,150	-	522,150
Special events revenue	132,630	-	132,630
Less direct benefits costs	<u>(34,927)</u>	<u>-</u>	<u>(34,927)</u>
Net revenue from special events	97,703	-	97,703
RMH room donations and fees	29,958	-	29,958
Net assets released from restriction	<u>38,825</u>	<u>(38,825)</u>	<u>-</u>
Total revenues and other support	1,464,944	203,136	1,668,080
Expenses			
Program services	1,301,678	-	1,301,678
Supporting services:			
General and administrative	72,252	-	72,252
Fundraising	<u>211,471</u>	<u>-</u>	<u>211,471</u>
Total expenses	<u>1,585,401</u>	<u>-</u>	<u>1,585,401</u>
Change in net assets from operations	<u>(120,457)</u>	<u>203,136</u>	<u>82,679</u>
Investment income (loss), net	<u>(185,649)</u>	<u>-</u>	<u>(185,649)</u>
Change in net assets	(306,106)	203,136	(102,970)
Net assets, beginning of year	<u>5,688,221</u>	<u>1,149,172</u>	<u>6,837,393</u>
Net assets, end of year	<u>\$ 5,382,115</u>	<u>\$ 1,352,308</u>	<u>\$ 6,734,423</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**Year Ended December 31, 2019**

	Program Services			Supporting Services			
	Ronald McDonald House	Ronald McDonald Family Room	Total Program Expenses	General and Administrative	Fund- Raising	Total Supporting Services	Total Expenses
	Personnel costs:						
Salaries	\$ 257,596	\$ 180,751	\$ 438,447	\$ 47,283	\$125,702	\$182,985	\$ 831,432
Fringe benefits and taxes	59,055	40,589	99,644	10,616	30,471	41,090	140,704
Total personnel costs	323,751	221,340	548,091	57,899	166,176	224,075	772,166
Non-personnel costs:							
Audit and professional services	38,162	9,679	47,841	17,393	414	17,807	65,648
Bank charges	8,887	-	8,887	-	-	-	8,887
Campaign marketing	-	-	-	-	-	-	-
Depreciation	144,988	-	144,988	-	-	-	144,988
Direct mail	6,275	4,361	10,635	-	31,907	31,907	42,542
Equipment leasing	7,290	-	7,290	253	-	253	7,543
Family services	1,952	10,603	12,555	-	-	-	12,555
Grant writing	-	-	-	-	12,960	12,960	12,960
House maintenance	45,030	997	46,027	-	-	-	46,027
House supplies	29,088	-	29,088	-	-	-	29,088
In-kind supplies	415,726	-	415,726	-	-	-	415,726
Insurance	25,240	735	26,074	6,072	-	6,072	31,646
Marketing and promotions	5,163	3,494	8,657	-	554	554	9,111
Office	6,914	-	6,914	-	-	-	6,914
Office supplies	2,173	1,510	3,684	1,578	-	1,578	5,262
Postage	4,066	-	4,066	-	-	-	4,066
Printing	3,318	2,905	6,223	-	-	-	6,223
Provision for uncollectible accounts	7,220	-	7,220	-	-	-	7,220
Technology	30,268	-	30,268	-	-	-	30,268
Training	3,328	2,312	5,640	-	-	-	5,640
Travel - conference	3,075	3,527	6,602	-	-	-	6,602
Travel	552	384	936	1,850	-	1,850	2,816
Utilities	91,745	-	91,745	-	-	-	91,745
Total non-personnel costs	882,495	39,517	922,242	26,760	46,835	72,614	981,836
Total expenses	\$ 1,209,246	\$ 261,087	\$ 1,470,333	\$ 84,679	\$212,011	\$296,689	\$1,767,022

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



**STATEMENT OF FUNCTIONAL EXPENSES**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**Year Ended December 31, 2018**

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fund- Raising	Total Supporting Services	
<b>Personnel costs:</b>					
Salaries	\$ 376,939	\$ 30,246	\$ 132,140	\$ 162,886	\$ 539,325
Fringe benefits and taxes	92,121	7,154	34,368	41,522	133,643
<b>Total personnel costs</b>	<b>469,060</b>	<b>37,400</b>	<b>166,508</b>	<b>203,908</b>	<b>672,968</b>
<b>Non-personnel costs:</b>					
Audit and professional services	29,902	22,310	685	22,995	52,897
Bank charges	3,433	280	-	280	3,713
Campaign marketing	-	-	8,681	8,681	8,681
Depreciation	125,021	-	-	-	125,021
Direct mail	6,291	-	18,875	18,875	25,166
Equipment leasing	5,867	-	-	-	5,867
Family services	4,278	-	-	-	4,278
Grant writing	-	-	12,960	12,960	12,960
House maintenance	45,071	-	-	-	45,071
House supplies	27,731	-	-	-	27,731
In-kind supplies	400,314	-	-	-	400,314
Insurance	22,109	7,370	-	7,370	29,479
Marketing and promotions	6,842	-	2,504	2,504	8,346
Office	8,881	-	-	-	8,881
Office supplies	2,059	885	-	885	2,944
Postage	3,679	-	-	-	3,679
Printing	6,413	2,748	-	2,748	9,161
Provision for uncollectible accounts	6,120	-	-	-	6,120
Technology	22,655	1,259	1,258	2,517	25,172
Training	11,216	-	-	-	11,216
Travel - conference	9,719	-	-	-	9,719
Travel	3,565	-	-	-	3,565
Utilities	82,462	-	-	-	82,462
<b>Total non-personnel costs</b>	<b>832,618</b>	<b>34,852</b>	<b>44,963</b>	<b>79,815</b>	<b>912,433</b>
<b>Total expenses</b>	<b>\$ 1,301,678</b>	<b>\$ 72,252</b>	<b>\$ 211,471</b>	<b>\$ 283,723</b>	<b>\$ 1,585,401</b>

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

**STATEMENTS OF CASH FLOWS**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 236,627	\$ (102,970)
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities:		
Depreciation and amortization	144,988	125,021
Net realized/unrealized (gains) losses on investments	(450,314)	249,353
In-kind contributions of property and equipment	(8,064)	(118,836)
Provision for uncollectible pledge	7,220	6,120
Cash surrender value of life insurance	674	(588)
(Increase) decrease in operating assets:		
Contributions receivable	12,496	(12,496)
Prepaid expenses	(937)	(18,643)
Unconditional promises to give	13,117	(125,359)
Increase (decrease) in operating liabilities:		
Accounts payable	(12,011)	13,091
Accrued payroll	(9,589)	(17,176)
Accrued compensated absences	5,048	8,395
Net cash (used by) provided by operating activities	<u>(60,745)</u>	<u>5,913</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(438,907)	(291,675)
Proceeds from sale of investments	487,492	242,315
Acquisition of construction in progress	-	(52,517)
Acquisition of property and equipment	<u>(63,018)</u>	<u>(28,434)</u>
Net cash used by investing activities	<u>(14,433)</u>	<u>(130,311)</u>
<b>NET (DECREASE) IN CASH</b>	<b>(75,178)</b>	<b>(124,399)</b>
Cash, beginning of year	<u>497,618</u>	<u>622,017</u>
Cash, end of year	<u><u>\$ 422,440</u></u>	<u><u>\$ 497,618</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE A - ORGANIZATION

Ronald McDonald House Charities of Northwest Florida, Inc. (the Organization) is a Florida nonprofit charitable corporation formed in 1981 under the name Gulf Coast Children's Medical Foundation, Inc. The mission of Ronald McDonald House Charities (RMHC) is to create, find, and support programs that directly improve the health and well-being of children. 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.

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

#### 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 Pensacola, Florida, 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.

#### Family Room

During 2019, the Organization opened a new facility located inside a children's hospital in Pensacola, Florida to allow families to stay in the hospital, right near their ill or injured child. The occupancy is donated from the hospital, while the facility and operations is supported by donations. The location has three bedrooms, a family room, a full kitchen, and a playroom.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting. Thus, revenues are recognized when services have been performed, and expenses are recognized when a liability has been incurred.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
3. Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets.

*Net Assets Without Donor Restrictions* - not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* - subject to donor-imposed stipulations.

4. Cash and Cash Equivalents - For the purposes of the statements of cash flows, management considers all highly liquid investment instruments with an original maturity when purchased of three months or less to be cash equivalents.
5. 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. Contributions receivable are written off when deemed uncollectible.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

6. 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.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

7. Fair Value of Financial Investments - Investments are measured at fair value by the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and has the highest priority; Level 2 consists of observable inputs other than quoted prices for identical assets; and Level 3 consists of significant unobservable inputs and has the lowest priority. The Organization measures fair value using Level 1 and Level 2 inputs.

Changes in the value of re-measurement are recorded in the period re-measured.

8. 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 \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7 - 40 years
Furniture and fixtures	3 - 10 years
Equipment	3 - 7 years

9. Contributions - Contributions are recorded depending on the existence and/or nature of any donor-imposed stipulations and/or restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. When restrictions are met in the same period as the contribution is received, the Organization records the contribution revenue as increase in net assets without donor restrictions.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. In-Kind Contributions - 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 unrestricted net assets 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.

In-kind contributions received for the years ended December 31, 2019 and 2018 were \$430,213 and \$622,150, respectively. This includes donated services totaling \$22,937 and \$24,436 for the years ended December 31, 2019 and 2018, respectively.

11. Allocation of Functional Expenses - Costs are charged to program services and management and generally based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on management estimates.
12. Income Taxes - Ronald McDonald House Charities of Northwest Florida, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Therefore, no provision for income taxes is recorded.

The Organization believes that any tax positions it has taken or expects to take that are more-likely-than-not sustainable, as described in the Codification, would not be material to the financial statements taken as a whole. Accordingly, no liability has been provided for unrecognized tax benefits, nor has any interest or penalty been accrued.

The Organization's information and tax returns for the years ended December 31, 2016 through 2019 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Events Occurring After the Reporting Date - The Organization has evaluated events and transactions that occurred between December 31, 2019 and August 31, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

#### NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 185,660	\$ 245,561
One to five years	208,570	166,241
More than five years	<u>-</u>	<u>-</u>
Total	394,230	411,802
Unamortized discount	(15,369)	(12,604)
Allowance for uncollectibles	<u>(5,000)</u>	<u>(5,000)</u>
Net contributions receivable	<u>\$ 373,861</u>	<u>\$ 394,198</u>

Long-term promises to give are recognized at fair value, using present value techniques and discount rates ranging from 1.5% to 2.0% for the years ended December 31, 2019 and 2018.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE D - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB Standards Codification 820, *Fair Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. There were no Level 3 inputs during the years ended December 31, 2019 and 2018.

Investments in debt securities and certain equity securities are measured at fair value based on the quoted market price using Level 1 inputs. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by the donor, and dividends, interest, and other investment income is reported in the period earned as increases in unrestricted net assets, unless donor-imposed restrictions apply.

The fair value of the cash surrender value of life insurance is the amount that may be realized upon the discontinuance and surrender of the contract before maturity and are classified as Level 2.



**NOTES TO FINANCIAL STATEMENTS**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**NOTE D - FAIR VALUE MEASUREMENTS (Continued)**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2019 and 2018, are as follows:

	Fair Value	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
<b>December 31, 2019:</b>			
<b>Investments:</b>			
Common stock and equity mutual funds	\$ 749,626	\$ 749,626	\$ -
Bond and fixed income mutual funds	993,312	993,312	-
Alternative asset mutual funds	869,215	869,215	-
 Cash surrender value of life insurance	<u>15,048</u>	<u>-</u>	<u>15,048</u>
	<u>\$ 2,627,201</u>	<u>\$ 2,612,153</u>	<u>\$ 15,048</u>
 <b>December 31, 2018:</b>			
<b>Investments:</b>			
Common stock and equity mutual funds	\$ 559,450	\$ 559,450	\$ -
Bond and fixed income mutual funds	901,742	901,742	-
Alternative asset mutual funds	749,232	749,232	-
 Cash surrender value of life insurance	<u>15,722</u>	<u>-</u>	<u>15,722</u>
	<u>\$ 2,226,146</u>	<u>\$ 2,210,424</u>	<u>\$ 15,722</u>

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

#### NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Cost, fair value, and unrealized gains (losses) from acquisition until December 31, 2019 and 2018 for assets held as investments are summarized as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
December 31, 2019:			
Investments:			
Common stock and equity mutual funds	\$ 593,353	\$ 749,626	\$ 156,273
Bond and fixed income mutual funds	993,042	993,312	270
Alternative asset mutual funds	712,122	869,215	157,093
Cash surrender value of life insurance	15,048	15,048	-
	\$ 2,313,566	\$ 2,627,201	\$ 313,636
December 31, 2018:			
Investments:			
Common stock and equity mutual funds	\$ 579,574	\$ 559,150	\$ (20,124)
Bond and fixed income mutual funds	934,897	901,742	(33,155)
Alternative asset mutual funds	709,105	749,232	40,127
Cash surrender value of life insurance	15,722	15,722	-
	\$ 2,239,298	\$ 2,226,146	\$ (13,162)

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2019 and 2018.

Subsequent to year end, market conditions deteriorated due to the economic impact of COVID-19. The fair market value of investments has declined and is considered to be recoverable.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 860,725	\$ 860,725
Buildings and improvements	3,353,312	3,342,385
Furniture and fixtures	289,562	198,971
Equipment	<u>197,081</u>	<u>176,097</u>
	4,700,680	4,578,178
Less accumulated depreciation	<u>(1,106,831)</u>	<u>(961,480)</u>
	<u>\$ 3,593,849</u>	<u>\$ 3,616,698</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$144,988 and \$125,021, respectively.

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. As of December 31, 2019, none of the Organization's long-lived assets were considered to be materially impaired.

During the year ended December 31, 2017, the Organization received donated land with a value of \$93,000. During 2018, the Organization placed the land for sale. The property was sold in 2020 resulting in a gain on sale of approximately \$39,000.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the Endowment and H2H Campaign for the years ended December 31, 2019 and 2018 was \$373,861 and \$301,058, respectively.

#### NOTE G - ENDOWMENTS

The Organization received a gift in 1993 to create an endowment to be held in perpetuity for the benefit of Ronald McDonald House Charities of Northwest Florida, Inc. The gift instrument restricts the income to be used for operating expenses of the Organization.

The Organization received a \$25,000 gift in 2007 to create an endowment to be held in perpetuity and the income therefrom to fund interns and volunteer training through the Lisa Sawyer Memorial Internship and Volunteer Program.

During 2014, the Organization received a pledge in the amount of \$500,000 to create a permanent endowment fund. The pledge is to be paid over a five-year period ending in January 2020. The pledge was originally recorded at the fair value of \$301,189 using the present value technique (see Note C). The Organization received \$93,000 and \$47,614 during the years ended December 31, 2019 and 2018, respectively, which is held in a separate investment account. The total increase in net assets with donor restrictions for the endowment contribution is \$0 and \$1,961 for the years ended December 31, 2019 and 2018, respectively. The income therefrom is to be used for the Organization's charitable purposes.

The Organization has adopted investment policies for endowment assets. Under these policies, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization has adopted spending policies that include appropriating investment income earned on endowment assets, excluding unrealized gains and losses, for expenditure.

**NOTES TO FINANCIAL STATEMENTS**

**RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.**

**NOTE G - ENDOWMENTS (Continued)**

The composition and changes in endowment net assets for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
<b>Endowments:</b>		
Endowment net assets, beginning of year	\$ 1,051,250	\$ 1,049,289
Contributions	-	1,961
Investment income, net	240,933	(52,699)
Amounts appropriated	(240,933)	52,699
Endowment net assets, end of year	\$ 1,051,250	\$ 1,051,250

**NOTE H - OPERATING LEASES**

In 2019, the Organization entered into an equipment lease under a thirty-six-month operating lease requiring annual rental payments of \$7,416.

Year Ending December 31,	Amounts
2020	\$ 7,416
2021	7,416
2022	5,562
2023	-
2024	-
Thereafter	-
	\$ 20,394

Rent expense for the years ended December 31, 2019 and 2018 for the equipment was \$7,546 and \$5,867, respectively.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE I - SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES

In 2017, the Organization established a 401(k) plan that replaced the former SIMPLE IRA plan. The 401(k) plan covers all employees of the Organization who are at least age 21 and have worked at least 1,000 hours of service from the 12-month period from July 15 through the next following July 14. Employees may elect to make voluntary contributions to the Plan. The Organization made a 3% matching contribution to each eligible participants' 401(k) account. For the years ended December 31, 2019 and 2018, the Organization contributed \$11,763 and \$11,171 to the Plan.

#### NOTE J - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and trade accounts receivable. The Organization maintains its cash at several local financial institutions. Deposits are insured up to \$250,000 per depositor, by the Federal Deposit Insurance Corporation (FDIC). The Organization has no cash balance that is uninsured by the FDIC at December 31, 2019.

#### NOTE K - RELATED PARTY

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 remits to RMHC Global 25% of its 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 \$76,262 and \$71,680, respectively, from these revenue streams.

Payments to RMHC Global totaled \$1,403 for the year ended December 31, 2018.

## NOTES TO FINANCIAL STATEMENTS

### RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST FLORIDA, INC.

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#### NOTE L - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2019. However, amounts already appropriated from the donor-restricted contributions for general expenditures within one year of December 31, 2019 have not been subtracted as unavailable.

Financial assets, at year-end	\$ 3,216,614
Less those unavailable for general expenditures within one year, due to:	
Subject to satisfaction of donor restrictions	<u>(1,425,111)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,791,503</u>

The Organization at times receives restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

#### NOTE M - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business and issued stay at home orders for individuals. While the disruption is currently expected to be temporary, there is considerable uncertainty surrounding the duration of closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

The Organization received an SBA loan for \$149,757 from CenterState Bank on April 20, 2020. The interest rate is 1%. The term of the loan is 24 months with the first 6 months of principal and interest payments deferred with interest accruing. The loan is made pursuant to the Paycheck Protection Program (Program) as part of the Coronavirus Aid, Relief, and Economic Security Act. At this time, the Organization has expended all proceeds on covered expenses under the Program and expects full forgiveness, however, the application for forgiveness has not been filed, and therefore, the amount of loan to be forgiven has not been determined.