

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

**Audited Financial Statements**

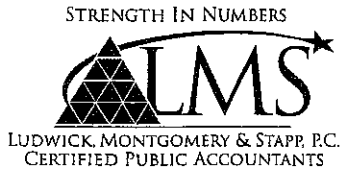
**For the Years Ended December 31, 2020 and 2019**

**and Independent Auditors' Report**

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**  
For the Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Ronald McDonald House Charities of Temple, Texas

We have audited the accompanying financial statements of Ronald McDonald House Charities of Temple, Texas (a non-profit organization), which comprise the statements of financial position as of December 31, 2020, and 2019, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Temple, Texas as of December 31, 2020 and 2019, 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.

*Judowitz, Montoya, & Star, PC*

Temple, TX  
October 25, 2021

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

## Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 483,211	\$ 343,283
Receivables	2,635	12,661
Donated goods inventory	51,063	46,109
Prepaid expenses	20,600	20,000
Total Current Assets	<u>557,509</u>	<u>422,053</u>
<b>Property and Equipment - Note 7</b>		
Buildings and improvements	1,657,416	1,657,416
Furniture and equipment	545,266	510,357
Land and improvements	131,980	131,980
Memorial garden	12,855	12,855
Vehicles	31,295	31,295
Accumulated depreciation	<u>(1,738,555)</u>	<u>(1,675,741)</u>
Total Property and Equipment	640,257	668,162
<b>Other Assets</b>		
Investments - Note 5	3,255,597	3,040,991
Total Other Assets	<u>3,255,597</u>	<u>3,040,991</u>
<b>Total Assets</b>	<u>\$ 4,453,363</u>	<u>\$ 4,131,206</u>
<b>Liabilities &amp; Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 15,345	\$ 18,962
Accrued expenses	3,015	1,960
Deferred revenue	4,810	12,702
Total Current Liabilities	<u>23,170</u>	<u>33,624</u>
<b>Net Assets</b>		
Without donor restrictions	3,875,909	3,529,865
With donor restrictions - Note 2	554,284	567,717
Total Net Assets	<u>4,430,193</u>	<u>4,097,582</u>
<b>Total Liabilities &amp; Net Assets</b>	<u>\$ 4,453,363</u>	<u>\$ 4,131,206</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Statements of Activities

For the Years Ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Other Income</b>			
Golf tournament - Note 12	\$ 20,246	\$ -	\$ 20,246
Miscellaneous fundraising - Note 12	70,003	-	70,003
Guest revenue	9,045	-	9,045
Newspaper	35	-	35
Canister income	20,615	-	20,615
Grants	104,611	-	104,611
Donations and pledges	107,817	-	107,817
Donations - noncash	93,075	-	93,075
Family room	2,939	5,245	8,184
Other income	63,190	-	63,190
Interest income	496	-	496
Realized gain (loss) on assets	-	-	-
<b>Support and Other Income Subtotal</b>	<b>492,072</b>	<b>5,245</b>	<b>497,317</b>
<b>Investment Return, Net</b>			
Endowment dividends	60,353	-	60,353
Realized gain (loss) on investments	23,258	-	23,258
Unrealized gain (loss) on investments	221,944	-	221,944
Interest income	12	-	12
Investment expense	(15,359)	-	(15,359)
Capital gains	74,398	-	74,398
<b>Investment return, net</b>	<b>364,606</b>	<b>-</b>	<b>364,606</b>
<b>Net assets released from donor restrictions</b>	<b>18,678</b>	<b>(18,678)</b>	<b>-</b>
<b>Total Support and Other Income</b>	<b>875,356</b>	<b>(13,433)</b>	<b>861,923</b>
<b>Expenses</b>			
Program services	418,522	-	418,522
Support services			
Management and general	75,430	-	75,430
Fundraising expense	35,360	-	35,360
<b>Total Expenses</b>	<b>529,312</b>	<b>-</b>	<b>529,312</b>
<b>Change in Net Assets</b>	<b>346,044</b>	<b>(13,433)</b>	<b>332,611</b>
<b>Net Assets at the Beginning of Year</b>	<b>3,529,865</b>	<b>567,717</b>	<b>4,097,582</b>
<b>Net Assets at the End of Year</b>	<b>\$ 3,875,909</b>	<b>\$ 554,284</b>	<b>\$ 4,430,193</b>

2019

Without Donor Restrictions	With Donor Restrictions	Total
\$ 110,293	\$ 5,000	\$ 115,293
57,279	-	57,279
28,689	-	28,689
198	-	198
31,373	-	31,373
84,274	33,000	117,274
96,367	-	96,367
100,862	-	100,862
-	9,425	9,425
15,893	-	15,893
1,057	-	1,057
(188)	-	(188)
526,097	47,425	573,522
81,119	-	81,119
(42,762)	-	(42,762)
399,612	-	399,612
143	-	143
(15,120)	-	(15,120)
46,683	-	46,683
469,675	-	469,675
20,681	(20,681)	-
1,016,453	26,744	1,043,197
478,989	-	478,989
59,091	-	59,091
87,672	-	87,672
625,752	-	625,752
390,701	26,744	417,445
3,139,164	540,973	3,680,137
\$ 3,529,865	\$ 567,717	\$ 4,097,582

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

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Statements of Functional Expenses

For the Years Ended December 31, 2020 and 2019

	2020					
	<u>Program Services</u>					
	<u>Ronald McDonald House</u>	<u>Ronald McDonald Family Room</u>	<u>Total Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Auto expense	\$ 2,066	\$ -	\$ 2,066	\$ -	\$ -	\$ 2,066
Bank charges	-	-	-	3,319	-	3,319
Conference fees	-	-	-	-	-	-
Contribution	100	-	100	-	-	100
Depreciation	58,794	-	58,794	4,020	-	62,814
Donated food and supplies	39,617	-	39,617	-	-	39,617
Donated services expense	720	-	720	-	-	720
Dues	-	-	-	736	-	736
Employee benefits	48,722	-	48,722	743	634	50,099
Golf tournament	-	-	-	-	3,178	3,178
House repairs and maint.	11,919	-	11,919	815	-	12,734
In-kind rent	-	18,600	18,600	-	-	18,600
Insurance	24,300	-	24,300	1,662	-	25,962
Lease/rental	8,758	-	8,758	-	-	8,758
Legal and accounting	-	-	-	27,080	-	27,080
Miscellaneous fundraising	-	-	-	-	14,766	14,766
Office supplies	-	-	-	15,671	-	15,671
Postage and shipping	467	-	467	-	-	467
Promotion	1,666	-	1,666	-	-	1,666
Ronald McDonald Family Room	-	5,752	5,752	-	-	5,752
Supplies	2,959	-	2,959	-	-	2,959
Taxes-payroll	11,458	-	11,458	1,303	1,109	13,870
Utilities	24,848	-	24,848	1,700	-	26,548
Wages	157,776	-	157,776	18,381	15,673	191,830
Totals	<u>\$ 394,170</u>	<u>\$ 24,352</u>	<u>\$ 418,522</u>	<u>\$ 75,430</u>	<u>\$ 35,360</u>	<u>\$ 529,312</u>



2019

Program Services					
Ronald McDonald House	Ronald McDonald Family Room	Total Program Services	Management & General	Fundraising	Total
\$ 753	\$ -	\$ 753	\$ -	\$ -	\$ 753
-	-	-	4,257	-	4,257
768	-	768	-	-	768
-	-	-	-	-	-
59,546	-	59,546	4,071	-	63,617
54,865	-	54,865	-	-	54,865
780	-	780	-	-	780
-	-	-	658	-	658
54,334	-	54,334	829	707	55,870
-	-	-	-	54,196	54,196
18,610	-	18,610	1,273	-	19,883
-	18,600	18,600	-	-	18,600
20,430	-	20,430	1,397	-	21,827
8,513	-	8,513	-	-	8,513
-	-	-	13,002	-	13,002
-	-	-	-	15,371	15,371
-	-	-	11,172	-	11,172
675	-	675	-	-	675
1,828	-	1,828	-	-	1,828
-	11,727	11,727	-	-	11,727
22,523	-	22,523	-	-	22,523
11,495	-	11,495	1,308	1,112	13,915
29,594	-	29,594	2,024	-	31,618
163,948	-	163,948	19,100	16,286	199,334
<u>\$ 448,662</u>	<u>\$ 30,327</u>	<u>\$ 478,989</u>	<u>\$ 59,091</u>	<u>\$ 87,672</u>	<u>\$ 625,752</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

## Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 332,611	\$ 417,445
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	62,814	63,617
Realized (gain) loss on assets	-	188
Realized (gain) loss on sale of investment	(23,258)	42,762
Unrealized (gain) loss on investments	(221,944)	(399,612)
Donated goods inventory	(4,954)	9,594
(Increase) decrease in:		
Receivables	10,026	(5,617)
Prepaid expenses	(600)	(7,291)
Increase (decrease) in:		
Accounts payable	(3,617)	13,457
Accrued expenses	1,055	1,597
Deferred revenue	(7,892)	10,446
Net cash provided (used) by operating activities	<u>144,241</u>	<u>146,586</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(34,909)	(9,796)
Transfer from investments	150,000	-
Proceeds from sale of investments	597,931	638,831
Purchase of investments and reinvestment of income	(717,335)	(751,657)
Net cash provided (used) by investing activities	<u>(4,313)</u>	<u>(122,622)</u>
Net increase (decrease) in cash and cash equivalents	139,928	23,964
Cash and cash equivalents - beginning of year	<u>343,283</u>	<u>319,319</u>
Cash and cash equivalents - end of year	<u>\$ 483,211</u>	<u>\$ 343,283</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

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

# **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Nature of Activities

Ronald McDonald House Charities of Temple, Texas (the Organization) (the House) is an incorporated nonprofit charitable corporation formed in October 11, 1984 in the State of Texas formally known as The Caring House. The name of the Organization was changed to Ronald McDonald House Charities of Temple, Texas on May 20, 1997. The mission of Ronald McDonald House Charities of Temple, Texas is to create, find and support programs that directly improve the health and well-being of children. Collectively, the House 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, and we value our heritage and operate with accountability and transparency.

The mission of Ronald McDonald House Charities of Temple, Texas is fulfilled 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 are operated by Ronald McDonald House Charities of Temple, Texas, represent the core functions of the Organization.

### 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(s) located in Temple, Texas which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

### 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(s) in McLane Children's Hospital Baylor Scott & White serve 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 Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### Basis of Presentation

Financial statement presentation follows FASB ASC 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

### Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

## **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments, if any, in debt securities at their fair values based on quoted process in active markets (all Level 1 measurements) in the statements of financial position. Realized and unrealized gain and losses and income are included in the change of net assets in the accompanying statements of activities.

Realized and unrealized gains and losses from securities in the master investments accounts are allocated monthly to the individual endowments based on the relationship of fair value of each endowment to the total fair value of the master investment account, as adjusted for additions to or deductions from these accounts.

#### Program Revenue

Guest revenue are generally recorded as revenue when received. The guests are not required to pay for services. Therefore, no receivable is recorded.

#### Donated Goods Inventory

Donated goods inventory consists of hand bags, clothing, and furniture which have been donated to the Organization. Donated goods inventory is recorded at estimated fair market value. The Organization estimates the fair value of clothing and furniture inventory items by using historic prices of similar items.

#### Fixed Assets

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is recorded using the double-declining balance and straight-line methods over the estimated useful lives of the assets. Acquisitions of fixed assets in excess of \$1,000 are capitalized.

#### Revenue Recognition

The Organization adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" as of January 1, 2019 which related to revenue recognition. In general, for revenue not associated with financial instruments, guarantees and lease contracts, management applies the following steps when recognizing revenue from contracts with customers, (i) identify the contract, (ii) identify the performance obligation, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligation and (v) recognize revenue when a performance obligation is satisfied. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amounts to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services. Revenue from guests for temporary lodging is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing temporary lodging guests. Revenue is recognized as performance obligation are satisfied.

# RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, Ronald McDonald House Charities of Temple, Texas has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. A required information return is filed annually. The federal income tax returns for the Organization for 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they are filed.

### Contributed Assets and Services

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Contributions are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the absence or existence and nature of any donor restrictions at their fair values in the period received.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their estimated fair values in the period received. While many individuals volunteer their time and perform a variety of tasks that assist the Organization, their services do not meet the criteria for recognition and are, therefore, not reflected in the financial statements. The Organization receives more than 1,800 volunteer hours per year.

Grants and other contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions.

### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses and in the statement of activities.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense assessment. Accordingly, certain costs have been allocated between the program and supporting services benefited. Expenses are allocated to *Program Services, Management and General, and Fundraising* based on the basis of estimates of time and effort.

### Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Credit Risk

The House maintains cash accounts with one financial institution, which is insured by the Federal Deposit Insurance Company (FDIC) as of December 31, 2020 and 2019. The House has \$223,498 and \$85,066 in excess of FDIC coverage for the years ended December 31, 2019 and 2018, respectively. The House has money markets as well as mutual funds with one brokerage entity. The funds held in this brokerage entity are insured by the Securities Investor Protection Corporation (SIPC). The Organization has \$2,755,597 and \$2,540,990 in excess of SIPC insurance coverage for the years ended December 31, 2020 and 2019, respectively.

**NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2020 and 2019 represent the following:

	<u>2020</u>	<u>2019</u>
Computer/technology	\$ -	\$ 13,088
Carpenter Meal Grant	25,000	25,000
Family Room	5,528	5,873
Grants in Excellence 2017	5,006	5,006
Joan Kroc Endowment	518,750	518,750
	<u>\$ 554,284</u>	<u>\$ 567,717</u>

The above cash and investment balances are restricted to use for their specified purposes.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 3 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

The House’s board of directors has designated funds which are reflected in net assets without donor restrictions. Net assets without donor restrictions for the year ended December 31, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 3,875,909	\$ 3,529,865
	<u>\$ 3,875,909</u>	<u>\$ 3,529,865</u>

**NOTE 4 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of the statement of financial position dates, reduced by the amounts not available for general use because of contractual or donor-impose restrictions within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Financial Assets at year-end	\$ 3,741,443	\$ 3,396,935
Less those unaviable for general expenditures within one year, due to:		
Donor (Grant)-imposed restrictions:		
Computer/technology	-	13,088
Carpenter Meal Grant	25,000	25,000
Family Room	5,528	5,873
Grants in Excellence 2017	5,006	5,006
Joan Kroc Endowment	518,750	518,750
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,187,159</u>	<u>\$ 2,829,218</u>

The Organization is supported by fundraisers and donor contributions as well as restricted contributions from donors. Donor restrictions require resources to be used in a particular manner, therefore the Organization must maintain sufficient resources to meet those responsibilities to its donors. Availability of financial assets may be affected by its nature, external limits imposed on by donors, grantors, laws, and contracts with others as well as internal limits imposed on by governing board decisions. For this reason, financial assets may not be available for general expenditure within one year.

In 2006 the board chose to restrict canister collection funds on how they could be used. The funds were to be used in giving grants to other local nonprofits that help benefitting children. At the time Ronald McDonald House Charities Global (RMHC Global) would match any grants awarded by the chapter. The match guaranteed by RMHC Global ended in 2014, and the grants given by Ronald McDonald House of Temple, Texas have been scarce. Therefore, in 2018 the board decided to release all restricted funds as there was not ample activity giving grants.

## **RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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### **NOTE 4 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS (continued)**

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Cash is held in depository accounts and a money market account. Investments are held in a brokerage account.

### **NOTE 5 – INVESTMENTS**

The House follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of donor restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor restricted endowment fund is spendable under UMIFA. The House's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor restricted endowment funds.

The Board of Trustees on the advice of legal counsel, has determined that the majority of the House's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the House. Under the terms of the House's governing documents, the Board of Trustees has the ability to distribute so much of the original principal if any trust of separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

The House has adopted investment and spending policies, approved by the Board of Trustees, 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 these endowment assets over the long term. The House's spending policy and investment policy work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6%, net of investment fees. Actual return in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the House 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). The House targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk factors.

The spending policy calculates the amount of money annually distributed from the House's various endowment funds, for grant making and administration. The current spending policy is to distribute an amount of at least equal to 5% of a moving four-year average of the fair value of the endowment funds. Accordingly, over the long-term, the House expects its current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the House's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.



**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 5 – INVESTMENTS (continued)**

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
December 31, 2020	\$ 2,736,847	\$ 518,750	\$ 3,255,597
December 31, 2019	\$ 2,522,241	\$ 518,750	\$ 3,040,991

The investment manager has limited power of attorney to make investment decisions and to buy, sell, or otherwise effect transactions in accordance with the investment policy of the board. It is the intent of the Organization to maintain 40-60% of the total endowment in McDonald's stock and the managed accounts and the remaining 60-40% is to be invested in cash, treasuries, investment grade bonds, or an equivalent investment with regards to risk.

Changes in endowment net assets as of December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, December 31, 2018	\$ 2,052,566	\$ 518,750	\$ 2,571,316
Investment Income	70,063	-	70,063
Net appreciation (depreciation)	399,612	-	399,612
Endowment net assets, December 31, 2019	2,522,241	518,750	3,040,991
Investment Income	142,662	-	142,662
Transfer from investment	(150,000)	-	(150,000)
Net appreciation (depreciation)	221,944	-	221,944
Endowment net assets, December 31, 2020	<u>\$ 2,736,847</u>	<u>\$ 518,750</u>	<u>\$ 3,255,597</u>

**NOTE 6 – FAIR VALUE MEASUREMENTS**

The House'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 values. Furthermore, although the House believes its valuation methods are appropriate and consistent with other market participants. The use of difference methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 6 – FAIR VALUE MEASUREMENTS (continued)**

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that priorities the inputs to measure fair value. The hierarchy gives the greatest priority to unadjusted quoted prices markets for identical assets or liabilities (Level 1 measurements). Three levels of the fair value hierarchy are described below:

Level 1- valuations based on quoted prices in an active market for identical assets or liabilities.

Level 2- valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3- valuations based on inputs that are not observable and significant to the overall fair value measurement.

The following schedule presents the House’s investments (all Level 1 investments) at fair value as of December 31, 2020 and 2019:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Cash & cash equivalents	\$ 139,895	\$ 139,895	\$ 70,847	\$ 70,847
Stocks	122,073	591,043	108,404	530,473
Other securities	2,176,615	2,524,659	2,267,423	2,439,671
	<u>\$ 2,438,583</u>	<u>\$ 3,255,597</u>	<u>\$ 2,446,674</u>	<u>\$ 3,040,991</u>

**NOTE 7 – PROPERTY AND EQUIPMENT**

Prior to 2008, it was the Organization’s policy to capitalize property and equipment over \$250. In 2008, the policy was updated to only capitalize property and equipment over \$1,000, and lesser amounts are expensed. All purchased property and equipment is recorded at cost basis. At times certain fixed assets have been donated to the Organization. These items are recorded at their estimated fair market value at the time the donation is received. A provision for depreciation is made on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2020 and 2019 were \$62,814 and \$63,617, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 7 – PROPERTY AND EQUIPMENT (continued)**

Property and equipment together with estimated useful lives consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	Estimated Useful Lives
Buildings and improvements	\$ 1,657,416	\$ 1,657,416	39 years
Furniture and equipment	545,266	510,357	7 years
Vehicles	31,295	31,295	5 years
Land and improvements	131,980	131,980	0 - 7 years
Memorial Garden	12,855	12,855	15 years
	<u>2,378,812</u>	<u>2,343,903</u>	
Less accumulated depreciation	<u>(1,738,555)</u>	<u>(1,675,741)</u>	
Net property and equipment	<u>\$ 640,257</u>	<u>\$ 668,162</u>	

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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 services by the instructed donor.

**NOTE 8 – DONATED SERVICES**

As of December 31, 2020 and 2019, donated services which met the requirements for recognition in the financial statements were \$720 and \$780. The donated services recognized in the financial statements consist of volunteer hours for peer counseling and other professional services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. There are some donated services that do not meet the requirements for reporting under FASB ASC 958-605. Therefore, they are not recorded in the financial statements.

**NOTE 9 – EMPLOYEE BENEFIT PLAN**

In 2001, Ronald McDonald House Charities adopted a 403(b)(7) retirement plan where all employees were given the option to participate. The plan provides for a 3% matching of contributions up to the lesser of \$1,650 or 15% of base pay after a 1-year waiting period. Plan expenses incurred during the years ended December 31, 2020 and 2019 were \$4,899 and \$3,631, respectively.

**NOTE 10 – HEALTH CARE COVERAGE**

For the years ended December 31, 2019 and 2018, full-time employees of Ronald McDonald House Charities of Temple, TX were covered by Blue Cross Blue Shield of Texas through Mercer Health & Benefits Administration. In July 1, 2020, Ronald McDonald House Charities of Temple, TX joined a Co-Op of other Texas Ronald McDonald House insurance that was under contract with Aetna for medical.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 10 – HEALTH CARE COVERAGE (continued)**

For the years ending December 31, 2020 and 2019, the total premium paid for insurance coverage was \$44,923 and \$51,822, respectively, for eligible employees who are currently participating in coverage.

**NOTE 11 – COMPENSATED ABSENCES**

Employees of the House are entitled to paid vacation and paid personal days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The House's policy is to recognize the costs of compensated absences when actually paid to employees.

**NOTE 12 – FUNDRAISING ACTIVITIES**

Gross income and expenses from fundraising activities for 2020 and 2019 are as follows:

	<u>Gross Revenue</u>	<u>Gross Expenses</u>	<u>Net Support</u>
2020			
Golf tournament	\$ 20,246	\$ 3,178	\$ 17,068
Miscellaneous fundraising	70,003	14,766	55,237
2020 Totals	<u>\$ 90,249</u>	<u>\$ 17,944</u>	<u>\$ 72,305</u>
2019			
Golf tournament	\$ 115,293	\$ 54,196	\$ 61,097
Miscellaneous fundraising	57,279	15,371	41,908
2019 Totals	<u>\$ 172,572</u>	<u>\$ 69,567</u>	<u>\$ 103,005</u>

**NOTE 13 – LEASING ARRANGEMENTS**

In 2019, the Organization entered into a two year lease contract with GM financial for an auto lease. At the end of the lease contract, the Organization will return the auto and will not elect the option for purchase. The total lease obligation for the two year period is \$16,035, and the Organization paid the amount in full at the inception of the lease. As of December 31, 2020 and 2019, the total for prepaid auto lease is \$3,341 and \$11,358.

**RONALD MCDONALD HOUSE CHARITIES OF TEMPLE, TEXAS**

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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**NOTE 14 – PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS**

The Company received a loan from Extraco Bank in the amount of \$48,856 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was subject to a note dated April 17, 2020. The Company applied for and has been notified that the note is forgiven. Loan forgiveness is reflected in other income in the accompanying income statement.

**NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this additional information in the notes to financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable, and accrued liabilities approximate the carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

**NOTE 16 – RECLASSIFICATIONS**

Certain amounts in 2019 have been reclassified to conform to the 2020 presentation.

**NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 25, 2021, the date which the financial statements were available to be issued. No subsequent items require disclosure to the financial statements.