

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



CLAconnect.com

WEALTH ADVISORY

OUTSOURCING

**AUDIT, TAX, AND
CONSULTING**

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES - 2019	5
STATEMENT OF FUNCTIONAL EXPENSES - 2018	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.
Falls Church, Virginia

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.

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 Greater Washington, D.C., 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
July 15, 2020

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 366,688	\$ 279,892
Contributions Receivable	1,173,744	488,954
Accounts Receivable	112,320	22,836
Prepaid Expenses	35,510	23,405
Total Current Assets	1,688,262	815,087
RESTRICTED CASH	455,123	446,647
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	1,187,032	419,145
INVESTMENTS	12,756,840	11,353,764
BENEFICIAL USE OF LAND	57,675	58,323
PROPERTY AND EQUIPMENT		
Land and Improvements	1,762,506	1,801,824
Building and Improvements	7,821,991	7,868,405
Furniture and Equipment	754,805	979,652
Website	18,207	14,007
Construction in Progress	72,433	-
	10,429,942	10,663,888
Less: Accumulated Depreciation and Amortization	(2,937,728)	(2,964,088)
Total Property and Equipment	7,492,214	7,699,800
Total Assets	\$ 23,637,146	\$ 20,792,766
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 231,451	\$ 202,634
NET ASSETS		
Without Donor Restrictions:		
Board Designated	11,833,755	8,101,305
Undesignated	6,597,559	9,124,579
Total Net Assets Without Donor Restrictions	18,431,314	17,225,884
With Donor Restrictions:		
Time and Purpose Restrictions	3,633,880	2,023,747
Perpetual Restrictions	1,340,501	1,340,501
Total Net Assets With Donor Restrictions	4,974,381	3,364,248
Total Net Assets	23,405,695	20,590,132
Total Liabilities and Net Assets	\$ 23,637,146	\$ 20,792,766

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
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
PUBLIC SUPPORT AND REVENUE						
Contributions and Fundraising Events	\$ 171,630	\$ 1,878,997	\$ 2,050,627	\$ 592,215	\$ -	\$ 592,215
Donations - Room Occupants	35,630	-	35,630	28,644	-	28,644
Other Donations	1,678,839	56,296	1,735,135	746,621	526,795	1,273,416
Donated Materials and Services	215,263	-	215,263	182,828	63,436	246,264
Special Events	104,449	-	104,449	87,881	-	87,881
Realized Gains on Sale of Investments	439,552	43,708	483,260	295,257	20,524	315,781
Unrealized Gain (Loss) on Investments	1,296,653	201,860	1,498,513	(1,086,058)	(37,023)	(1,123,081)
Interest and Dividends, Net of Fees	100,245	143,856	244,101	198,888	42,986	241,874
Other	183,878	-	183,878	123,763	-	123,763
Net Assets Released from Restrictions	714,584	(714,584)	-	174,284	(174,284)	-
Total Public Support and Revenue	<u>4,940,723</u>	<u>1,610,133</u>	<u>6,550,856</u>	<u>1,344,323</u>	<u>442,434</u>	<u>1,786,757</u>
EXPENSES						
Program Services	2,974,638	-	2,974,638	2,720,856	-	2,720,856
Management and General	299,127	-	299,127	435,800	-	435,800
Fundraising	461,528	-	461,528	425,896	-	425,896
Total Expenses	<u>3,735,293</u>	<u>-</u>	<u>3,735,293</u>	<u>3,582,552</u>	<u>-</u>	<u>3,582,552</u>
CHANGE IN NET ASSETS	1,205,430	1,610,133	2,815,563	(2,238,229)	442,434	(1,795,795)
Net Assets, Beginning of Year	<u>17,225,884</u>	<u>3,364,248</u>	<u>20,590,132</u>	<u>19,464,113</u>	<u>2,921,814</u>	<u>22,385,927</u>
NET ASSETS, END OF YEAR	<u>\$ 18,431,314</u>	<u>\$ 4,974,381</u>	<u>\$ 23,405,695</u>	<u>\$ 17,225,884</u>	<u>\$ 3,364,248</u>	<u>\$ 20,590,132</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services	Management and General	Fundraising	Total
Employee Costs	\$ 1,225,006	\$ 152,826	\$ 117,183	\$ 1,495,015
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	256,953	739	452	258,144
Professional Fees	182,181	126,911	245,657	554,749
Insurance	32,730	1,340	1,148	35,218
Supplies	94,313	3,861	3,309	101,483
Repairs and Maintenance	108,079	311	190	108,580
Printing, Mailing, and Postage	9,963	408	350	10,721
Utilities	64,422	185	113	64,720
Telecommunications	33,629	-	-	33,629
Travel and Meetings	10,715	-	-	10,715
Other	7,599	11,317	-	18,916
Other Outside Services	155,783	-	-	155,783
Family Transportation	31,194	-	-	31,194
Marketing and PR	189,146	879	92,912	282,937
Occupancy	122,925	350	214	123,489
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,974,638</u>	<u>\$ 299,127</u>	<u>\$ 461,528</u>	<u>\$ 3,735,293</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Total Expenses
Employee Costs	\$ 1,025,313	\$ 215,144	\$ 283,849	\$ 1,524,306
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	266,322	1,741	2,218	270,281
Professional Fees	136,118	196,044	13,385	345,547
Insurance	42,736	2,896	5,738	51,370
Supplies	133,802	9,068	17,966	160,836
Repairs and Maintenance	145,286	950	1,210	147,446
Printing, Mailing, and Postage	5,080	344	682	6,106
Utilities	79,327	518	661	80,506
Telecommunications	33,590	-	-	33,590
Travel and Meetings	19,751	-	-	19,751
Other	10,493	7,956	141	18,590
Other Outside Services	154,030	-	-	154,030
Family Transportation	14,078	-	-	14,078
Marketing and PR	193,666	1,106	98,987	293,759
Occupancy	11,264	33	1,059	12,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,720,856</u>	<u>\$ 435,800</u>	<u>\$ 425,896</u>	<u>\$ 3,582,552</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
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	\$ 2,815,563	\$ (1,795,795)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	258,144	270,281
Amortization of Beneficial Use of Land	648	5,113
Beneficial Use of Land	-	(63,436)
Realized Gain on Investments	(483,260)	(315,781)
Unrealized Loss (Gain) on Investments	(1,498,513)	1,123,081
Loss on Disposal of Property and Equipment	15,567	-
(Increase) Decrease in Assets:		
Pledges and Contributions Receivable	(1,452,677)	(144,394)
Accounts Receivable	(89,484)	(4,970)
Prepaid Expenses	(12,105)	9,154
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	28,817	5,521
Net Cash Used by Operating Activities	<u>(417,300)</u>	<u>(911,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(103,625)	(90,382)
Proceeds from Sale of Property and Equipment	37,500	-
Purchase of Investments	(2,789,503)	(3,038,498)
Proceeds from Sale of Investments	3,368,200	3,950,791
Net Cash Provided by Investing Activities	<u>512,572</u>	<u>821,911</u>
NET CHANGE IN CASH AND RESTRICTED CASH	95,272	(89,315)
Cash and Restricted Cash - Beginning of Year	<u>726,539</u>	<u>815,854</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 821,811</u>	<u>\$ 726,539</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Beneficial Use of Land	<u>\$ -</u>	<u>\$ 63,436</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization) is a nonprofit 501(c)(3) organization whose purpose is to help relieve the burden of childhood illness on families through programs that directly improve the health and wellbeing of children. RMHC 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.

RMHC owns and operates, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), two Ronald McDonald Houses, located in Washington, D.C. and Northern Virginia. It also maintains three Ronald McDonald Family Rooms, located within Children's National Medical Center and Inova Children's Hospital, and supports two Ronald McDonald Care Mobiles in partnership with MedStar Georgetown University Hospital Kids Mobile Medical Clinic Program.

Basis of Accounting

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.

Income Taxes

The Organization is exempt from federal income taxes on its exempt activities 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. The Internal Revenue Service determined that the Organization is not a private foundation.

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.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and 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. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash consists of a 5-year, donor-restricted certificate of deposit (CD) that is restricted for the Capital Campaign. Interest earned on the CD is included in net assets with donor restriction.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows at December 31:

	2019	2018
Cash and Cash Equivalents	\$ 366,688	\$ 279,892
Restricted Cash	455,123	446,647
Total Cash and Restricted Cash Shown in the Statements of Cash Flows	<u>\$ 821,811</u>	<u>\$ 726,539</u>

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. All receivables are deemed collectible by management at December 31, 2019 and 2018.

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses and income are included in the statements of activities.

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. 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 – Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset either directly or indirectly, including inputs from markets that are not considered to be active.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

Property and Equipment

Purchases of furniture and equipment greater than \$1,000 are capitalized at cost. Donated assets are recorded at their estimated market value on the date of donation. Property and equipment are depreciated over estimated useful lives of three to forty-five years on a straight-line basis.

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 for property and equipment and capital improvements.

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. The investment earnings on these net assets are reflected in the statements of activities as components of net assets with donor restrictions and released from restrictions as funds are expended for the restricted purposes.

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.

Contributions

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions 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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue

Other revenue consists primarily of Medicaid revenue for family care services. The performance obligation is satisfied over time, and revenue is recognized based on the dates of a family's stay at the Organization's Houses. The amount Medicaid actually pays is the amount recognized, and this sometimes differs from the amount invoiced. At year-end, revenue is accrued based on estimated Medicaid receipts for stays during the calendar year that is ending.

Donated Assets and Services

Contributions of donated goods are recorded at their fair value 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 donation, are recorded at their fair values in the period received and also recorded as an expense. However, no value is recorded for the services of unpaid volunteers who have made significant contributions of their time in all areas of operations.

Functional Allocation of 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, repairs and maintenance, and utilities, which are allocated on a square footage basis; supplies, printing, mailing, and postage, IT support, insurance, and other professional fees, which are allocated based on full-time equivalents; and salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

Liquidity

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position, as of December 31:

	2019	2018
Cash and Cash Equivalents	\$ 366,688	\$ 279,892
Contributions Receivable, Current	1,173,744	488,954
Accounts Receivable	112,320	22,836
Cash Portion of Investments	322,100	523,955
	<u>1,974,852</u>	<u>1,315,637</u>
Less: Current Portion of Donor-Restricted Pledges	<u>(650,000)</u>	<u>(249,536)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,324,852</u>	<u>\$ 1,066,101</u>

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

Additionally, although the Organization does not intend to spend from its long-term investments without donor restrictions, amounts could be made available if necessary.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$538,000.

Changes in Accounting Principles

In 2019, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* for the year ended December 31, 2020. The FASB issued this new standard to clarify and improve the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. The adoption of the standard did not have a material impact on the accompanying financial statements.

The Organization also adopted the FASB's Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), which 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 new guidance addresses the complexity and understandability 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 adoption of ASC 606 in 2019 reflects the Organization's election to follow the original effective date, and did not have a material impact on the accompanying financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 15, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the pandemic of coronavirus (COVID-19) was declared by the World Health Organization. Future fundraising events, revenues, and expenses of the Organization are uncertain due to government-mandated restrictions on non-essential travel and non-essential business operations. While the Organization is able to operate remotely, the restrictions have impacted the global economy, which in turn has affected charitable donations to the Organization. Investment markets have also experienced significant declines since December 31, 2019. Management believes the Organization is taking appropriate actions to mitigate the negative impact, including pursuing financial relief from the federal government (see below). As of July 15, 2020, the amount and likelihood of loss relating to these events is not determined and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

In April 2020, the Organization obtained a 2-year CARES Act term loan of approximately \$203,000 from a financial institution. The loan requires monthly payments of principal and interest at 1.00% starting November 2020 and is due March 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used to cover certain operating expense items.

NOTE 2 CONCENTRATIONS AND MARKET RISK

Revenue Concentrations

For the year ended December 31, 2019, RMHC received 50% of total support revenue (which excludes investment income) from two donors. As of December 31, 2019, 64% of contributions receivable is due from one of these donors. There were no such concentrations as of or for the year ended December 31, 2018.

Market Risk

RMHC invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Due within One Year	\$ 1,173,744	\$ 488,954
Due One to Five Years	1,240,000	445,000
Total	<u>2,413,744</u>	<u>933,954</u>
Less: Discount	(52,968)	(25,855)
Total Net Contributions Receivable	<u><u>\$ 2,360,776</u></u>	<u><u>\$ 908,099</u></u>

A combination of discount rates were used for different pledges ranging from 1.6% to 2.9% representing the prime rate or risk free rate of return when the pledge was received.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Cash Equivalents	\$ 322,100	\$ 322,100	\$ 523,955	\$ 523,955
Equities	8,409,449	4,784,484	7,266,048	4,999,598
Corporate Bonds	3,123,452	3,078,886	2,842,768	2,910,752
Government Bonds	901,839	866,220	720,993	711,862
Total Investments	<u>\$ 12,756,840</u>	<u>\$ 9,051,690</u>	<u>\$ 11,353,764</u>	<u>\$ 9,146,167</u>

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Equities	\$ 8,409,449	\$ -	\$ -	\$ 8,409,449
Corporate Bonds	-	3,123,452	-	3,123,452
Government Bonds	-	901,839	-	901,839
Subtotal	<u>\$ 8,409,449</u>	<u>\$ 4,025,291</u>	<u>\$ -</u>	<u>12,434,740</u>
Cash Equivalents				322,100
Total Investments				<u>\$ 12,756,840</u>

	2018			
	Level 1	Level 2	Level 3	Total
Equities	\$ 7,266,048	\$ -	\$ -	\$ 7,266,048
Corporate Bonds	-	2,842,768	-	2,842,768
Government Bonds	-	720,993	-	720,993
Subtotal	<u>\$ 7,266,048</u>	<u>\$ 3,563,761</u>	<u>\$ -</u>	<u>10,829,809</u>
Cash Equivalents				523,955
Total Investments				<u>\$ 11,353,764</u>

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 BENEFICIAL USE OF LAND

In October 1996, the Organization entered into a lease agreement with Inova Fairfax Hospital Systems, Inc. (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The agreement includes annual base rent of \$1.00 and provides for an initial lease term of 30 years and contains two 10-year renewal options, for a combined lease period that ends in 2046. An independent appraisal determined that the fair value of the space at the time of inception was \$255,668. The annual rental value was estimated to be \$5,113 per year. In connection with this lease agreement, the Organization discounted the value of the 50-year initial term of the lease using a discount rate of approximately 7.4%, and recorded a restricted contribution in 2018 in the amount of \$63,436. The implicit contribution receivable under this agreement was not previously recorded in the financial statements, and is recorded as a donor-restricted contribution in 2018. The value remaining on the use of land as of December 31, 2019 and 2018, is \$57,675 and \$58,323, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2019 and 2018, rent expense of \$5,113 was recorded in connection with this lease agreement.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
<i>Subject to expenditure for specific purpose:</i>		
DC House - Playground	\$ 544	\$ 544
Access Control Project	-	9,420
New VA Family Room	-	18,876
CareMobile Grant	-	35,000
Capital Campaign	1,146,842	-
	1,147,386	63,840
<i>Subject to passage of time:</i>		
For periods after December 31	1,795,548	1,444,687
<i>Subject to the Organization's spending policy and appropriation:</i>		
Original donor-restricted gifts required to be maintained in perpetuity by donor	1,340,501	1,340,501
Accumulated endowment earnings	633,271	456,897
<i>Not subject to appropriation or expenditure:</i>		
Land required to be used for a Ronald McDonald House	57,675	58,323
	\$ 4,974,381	\$ 3,364,248

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

	2019	2018
Access Control Project	\$ -	\$ 14,678
CareMobile Fitness Unit	35,000	-
DC House	-	3,206
New VA Family Room	18,876	43,224
Time	175,277	88,651
Endowment Fund	153,102	24,525
Capital Campaign	332,329	-
	<u>\$ 714,584</u>	<u>\$ 174,284</u>

NOTE 7 ENDOWMENTS

In March 1993, RMHC received a donation of shares of common stock of the McDonald's Corporation from Mrs. Ray Kroc. This gift was valued at \$490,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses.

In 2016, upon donor instruction, RMHC transferred \$850,001 of donor-restricted Caremobile Medical Unit funds to create a permanent endowment to where earnings of the endowment would be used to fund operations of the current and future Caremobiles.

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 fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (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 investment policy of the Organization

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

Investment Return Objectives and Risk Parameters

The Organization's endowment investment policy is focused on preservation of capital. The original endowment remains invested in donated common stock of the McDonald's Corporation, and the Care Mobile endowment funds are invested in a portfolio of securities with the investment objective to produce income, with long-term growth potential to meet the current and future needs of the Care Mobile program for the Washington DC chapter.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy approved by the board of directors the endowment assets are invested in a manner with long-term orientation and without undue exposure to risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending rate policy will be five percent (5%). Over the long term, the Organization expects to allow its endowment to grow annually, consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through new contributions and investment returns.

Strategies Employed for Achieving Objectives

To satisfy its long term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends) by holding on to the original donated investments.

Funds with 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. As of December 31, 2018, deficiencies of this nature existed in one of the Organization's endowment funds, which had an original gift value of \$850,001, a current fair value of \$812,660, and a deficiency of \$37,341. These deficiencies in prior year resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds. There were no such deficiencies as of December 31, 2019.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

The endowment net assets and activity for 2019 and 2018 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2018	\$ -	\$ 1,795,437	\$ 1,795,437
Investment Gain	-	26,486	26,486
Appropriations	-	(24,525)	(24,525)
Endowment Net Assets, December 31, 2018	-	1,797,398	1,797,398
Investment Gain	-	329,476	329,476
Appropriations	-	(153,102)	(153,102)
Endowment Net Assets, December 31, 2019	<u>\$ -</u>	<u>\$ 1,973,772</u>	<u>\$ 1,973,772</u>

NOTE 8 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 Reserves	\$ 7,492,213	\$ 7,699,800
Property Reserve Fund	200,566	210,529
Capital Expenditure Fund	4,140,976	190,976
	<u>\$ 11,833,755</u>	<u>\$ 8,101,305</u>

NOTE 9 IN-KIND DONATIONS

The Organization received donated in-kind items including services, rent, utilities and supplies which benefitted program and fundraising totaling \$215,263 and \$246,264 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 RONALD MCDONALD HOUSE CHARITIES LICENSE

The RMHC holds a license from McDonald's Corporation and Ronald McDonald House Charities, Inc. (global) to operate in the community. The license agreement requires the Organization to remit twenty-five percent (25%) of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities, Inc. on a quarterly basis. These amounts are recorded against contribution income on the statements of activities. In fiscal years 2019 and 2018, the fundraising amounts were collected by the global organization and the proceeds net of the 25% fee were remitted to RMHC. RMHC recorded \$373,925 and \$359,144 of net donation box revenue in 2019 and 2018, respectively.

Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 11 PENSION PLAN

The Organization has a 401(k) tax-sheltered annuity retirement plan. The plan is a defined contribution plan under which all employees can make voluntary contributions up to the IRS maximum. There is also a provision for discretionary contributions by the employer for the benefit of those employees who work at least 1,000 hours per year and have completed 1 year of service. All participants are fully vested in all contributions made. For 2019 and 2018, the Organization matched eligible employee contributions up to 5% of each employee's compensation, resulting in pension expense of \$36,659 and \$44,251, respectively.

NOTE 12 ALLOCATION OF JOINT COST

The Organization incurs joint costs for informational materials and activities that included fundraising appeals. The following is a summary of the allocation of these joint costs for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Program Services	\$ 126,214	\$ 111,163
Fundraising	92,787	90,201
Management and General	879	591
	<u>\$ 219,880</u>	<u>\$ 201,955</u>