

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

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities of Southwest Florida, Inc.
Fort Myers, Florida

We have audited the accompanying financial statements of Ronald McDonald House Charities of Southwest Florida, Inc. (a not-for-profit 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.

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 audits 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 Southwest 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.


HUGHES, SNELL & CO., P.A.

Fort Myers, Florida
August 26, 2020

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statements of Financial Position
December 31, 2019 and 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,459,894	\$ 1,322,513
Accounts receivable	97,109	151,055
Prepaid expenses	29,070	22,338
Investments	2,569,985	2,044,179
Total Current Assets	<u>4,156,058</u>	<u>3,540,085</u>
NONCURRENT ASSETS		
Cash restricted for House Expansion	804,713	10,000
Promises to give for House Expansion	1,491,765	-
Property and equipment, net	1,302,742	1,407,577
Beneficial interest in asset held by other	18,267	15,702
Total Noncurrent Assets	<u>3,617,487</u>	<u>1,433,279</u>
Total Assets	<u>\$ 7,773,545</u>	<u>\$ 4,973,364</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 91,523	\$ 98,720
Deferred revenue	34,605	31,310
Leadership conference payable	101,242	-
Total Current Liabilities	<u>227,370</u>	<u>130,030</u>
NET ASSETS		
Without donor restrictions	4,250,634	4,063,876
With donor restrictions	3,295,541	779,458
Total Net Assets	<u>7,546,175</u>	<u>4,843,334</u>
Total Liabilities and Net Assets	<u>\$ 7,773,545</u>	<u>\$ 4,973,364</u>

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, 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
REVENUES AND OTHER SUPPORT						
Gross proceeds from fundraising events	\$ 531,015	\$ -	\$ 531,015	\$ 389,928	\$ 103,853	\$ 493,781
Less: cost of direct benefits to donors	(198,871)	-	(198,871)	(204,749)	-	(204,749)
Net proceeds from fundraising events	332,144	-	332,144	185,179	103,853	289,032
Contributions	438,546	37,287	475,833	593,968	158,443	752,411
Guest donations	-	5,522	5,522	-	3,190	3,190
In-kind contributions	13,500	-	13,500	-	-	-
Net assets released from restrictions	99,736	(99,736)	-	263,127	(263,127)	-
Total Revenues and Support	883,926	(56,927)	826,999	1,042,274	2,359	1,044,633
EXPENSES						
Program services	625,907	-	625,907	686,446	-	686,446
General and administrative	208,445	-	208,445	172,237	-	172,237
Fundraising	225,358	-	225,358	209,830	-	209,830
Total Expenses	1,059,710	-	1,059,710	1,068,513	-	1,068,513
CHANGE IN NET ASSETS FROM OPERATIONS						
	(175,784)	(56,927)	(232,711)	(26,239)	2,359	(23,880)
NONOPERATING ACTIVITIES						
Contributions restricted for House Expansion	-	2,656,187	2,656,187	-	10,000	10,000
Net assets released from restrictions	83,177	(83,177)	-	-	-	-
Net investment return	279,365	-	279,365	(12,804)	-	(12,804)
CHANGE IN NET ASSETS	186,758	2,516,083	2,702,841	(39,043)	12,359	(26,684)
NET ASSETS, BEGINNING OF YEAR	4,063,876	779,458	4,843,334	4,102,919	767,099	4,870,018
NET ASSETS, END OF YEAR	\$ 4,250,634	\$ 3,295,541	\$ 7,546,175	\$ 4,063,876	\$ 779,458	\$ 4,843,334

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Functional Expenses
Year Ended December 31, 2019 (with summarized comparative totals for 2018)

	2019					2018
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donor	Total	
EXPENSES						
Payroll and benefits	\$ 150,248	\$ 109,314	\$ 89,096	\$ -	\$ 348,658	\$ 327,456
Payroll taxes	12,720	6,057	5,451	-	24,228	23,365
Total Salaries and Related Expenses	162,968	115,371	94,547	-	372,886	350,821
Fund raising	-	-	105,553	-	105,553	92,620
Event facilities and entertainment	-	-	-	198,871	198,871	204,749
Marketing	3,756	-	-	-	3,756	2,492
Insurance	16,990	4,090	2,090	-	23,170	32,929
Office	12,725	7,000	7,093	-	26,818	23,070
Outside service contracts	18,697	2,200	1,100	-	21,997	21,628
Professional fees	11,908	31,500	-	-	43,408	30,134
Repair and maintenance	17,682	19,449	2,486	-	39,617	24,432
Supplies	45,529	1,513	756	-	47,798	35,289
Travel and entertainment	3,232	5,045	-	-	8,277	9,869
Utilities	19,858	3,126	2,275	-	25,259	24,027
Volunteer	3,420	-	57	-	3,477	4,364
Grants	147,067	-	-	-	147,067	219,947
Miscellaneous	2,265	350	-	-	2,615	2,648
Depreciation	159,810	18,801	9,401	-	188,012	194,243
Total Expenses	\$ 625,907	\$ 208,445	\$ 225,358	\$ 198,871	1,258,581	1,273,262
				Direct benefits to donor	(198,871)	(204,749)
				Total Expenses - Statement of Activities	\$ 1,059,710	\$ 1,068,513

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Direct Benefit to Donor	Total
EXPENSES					
Payroll and benefits	\$ 139,793	\$ 102,860	\$ 84,803	\$ -	\$ 327,456
Payroll taxes	12,267	5,841	5,257	-	23,365
Total Salaries and Related Expenses	<u>152,060</u>	<u>108,701</u>	<u>90,060</u>	-	<u>350,821</u>
Fund raising	-	-	92,620	-	92,620
Event facilities and entertainment	-	-	-	204,749	204,749
Marketing	2,172	-	320	-	2,492
Insurance	23,120	6,482	3,327	-	32,929
Office	10,853	5,900	6,317	-	23,070
Outside service contracts	18,384	2,163	1,081	-	21,628
Professional fees	11,829	18,305	-	-	30,134
Repair and maintenance	18,477	3,296	2,659	-	24,432
Supplies	34,182	738	369	-	35,289
Travel and entertainment	6,060	3,809	-	-	9,869
Utilities	18,703	3,069	2,255	-	24,027
Volunteer	3,254	-	1,110	-	4,364
Grants	219,947	-	-	-	219,947
Miscellaneous	2,298	350	-	-	2,648
Depreciation	<u>165,107</u>	<u>19,424</u>	<u>9,712</u>	-	<u>194,243</u>
Total Expenses	<u>\$ 686,446</u>	<u>\$ 172,237</u>	<u>\$ 209,830</u>	<u>\$ 204,749</u>	1,273,262
				Direct benefits to donor	<u>(204,749)</u>
				Total Expenses - Statement of Activities	<u>\$ 1,068,513</u>

The accompanying notes are an integral part of this financial statement.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, 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	\$ 2,702,841	\$ (26,684)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Noncash contributions restricted for House Expansion	(504,728)	-
Contributions restricted for House Expansion	(2,151,459)	-
Depreciation	188,012	194,243
Net realized and unrealized (gains) losses on investments	(217,087)	69,482
Interest and dividend reinvestment	(45,509)	(40,974)
Accrued interest	(11,047)	(10,286)
(Increase) decrease in assets:		
Accounts receivable	53,946	(53,142)
Prepaid expenses	(6,732)	14,312
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(7,197)	37,473
Deferred revenue	3,295	(32,181)
Leadership conference payable	101,242	-
Net Cash Provided by Operating Activities	<u>105,577</u>	<u>\$ 152,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(83,177)	(10,023)
Proceeds from redemption of certificates of deposit	-	307,448
Purchases of investments	(1,758,344)	(2,121,954)
Proceeds from sale of investments	1,758,344	1,781,252
Net Cash Used in Investing Activities	<u>(83,177)</u>	<u>(43,277)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for House Expansion	909,694	-
Net Cash Provided by Financing Activities	<u>909,694</u>	<u>-</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	932,094	108,966
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,332,513</u>	<u>1,223,547</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 2,264,607</u>	<u>\$ 1,332,513</u>
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 1,459,894	\$ 1,322,513
Cash restricted for House Expansion	804,713	10,000
	<u>\$ 2,264,607</u>	<u>\$ 1,332,513</u>

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE A – THE ORGANIZATION

Ronald McDonald House Charities of Southwest Florida, Inc. (the "Organization") is a Florida not-for-profit corporation organized on September 23, 2003. The mission of the Organization is to create, find and support programs that directly impact the health and well-being of children and their families in the five county region we serve. The mission is fulfilled through operation of sustainable programs including the Ronald McDonald House located in Fort Myers that provides a "home away from home" for families with children undergoing medical treatment at Golisano Children's Hospital; the Ronald McDonald Family Room located at the children's hospital provides families of hospitalized children a space to rest and regroup while being near their child's bedside; and the Ronald McDonald Care Mobile units provide medical and dental screenings, treatment and sealants to underserved areas as well as monthly autism screenings.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Nonoperating activities is limited to net investment return and the House Expansion project. Operating activities consist of all other activities of the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts Receivable and Promises to Give

Accounts receivable and promises to give consists of amounts owed by donors and partners and are stated at the amount management expects to be collected from the outstanding balance. All receivables are considered fully collectible, therefore, no allowance for uncollectible accounts has been recorded. The expense related to uncollectible accounts is recognized in the period in which a specific account is determined to be uncollectible. There was no bad debt expense for the years ended December 31, 2019 or 2018. All accounts receivables owed by donors are expected to be received within one year. Promises to give expected to be received over one year are not discounted for the present value of future cash flows as the amount was determined to be immaterial.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities and the Organizations beneficial interest in assets held by other 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.

The Southwest Florida Community Foundation maintains an agency endowment (the “Ronald McDonald House Charities of Southwest Florida Fund”) for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation’s Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation’s investment and spending policies.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the time of donation. Additions and major renewals in excess of \$2,500, which increased from \$500 in 2019, are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed as incurred.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the fair value of the asset is less than the carrying value. There were no impairment losses recognized in 2019 or 2018.

Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Net Assets

The Organization’s net assets and changes therein are classified and reported as net assets without and with donor restrictions. Net assets with donor restrictions are 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.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

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 met. Consequently, at December 31, 2019, contributions of \$44,791 have not been recognized in the accompanying statement of activities because the condition to raise additional contributions within one year that will be matched dollar-for-dollar had not been met.

Donated Assets, Property and Equipment, and Services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donations of services are recognized as contributions only if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individual possessing those skills, and would typically be purchased if not provided by donation. For the years ended December 31, 2019 and 2018, the Organization recognized donated services in the amount of \$21,900 and \$7,720, respectively.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, interest, maintenance and repairs, and utilities, which are allocated on a square footage basis; payroll, benefits and payroll taxes are allocated on the basis of estimated time and effort; payroll taxes, and office supplies, technology and telephone are allocated based on the average of the personnel allocation described above.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE B – 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 (the "Code") as well as exempt from state income taxes as the Organization is a not-for-profit Florida corporation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization does not have unrelated business income for the years ended December 31, 2019 or 2018. Accordingly, no provision for income taxes has been made. The Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Management has evaluated its tax positions and believes that all positions taken are well documented and supported and there are no uncertain tax positions that are material to the financial statements. Therefore, no provision for uncertain tax positions has been recorded.

Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for money market funds included in a managed investment account.

The Organization made no cash payments for income tax or interest during the years ended December 31, 2019 or 2018.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 26, 2020, the date that the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Recent Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Due to the COVID-19 pandemic, the Organization has elected to defer the implementation of FASB's Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. The FASB has allowed certain entities that have not yet issued their financial statements reflecting the adoption of the new revenue recognition standard to postpone implementation until annual reporting periods beginning after December 15, 2019, as outlined in Accounting Standards Update No. 2020-05. Therefore, the Organization plans to adopt and implement the new revenue recognition standard effective January 1, 2020. The Organization does not expect any significant changes in its revenue recognition policies to conform with the new standard. However, additional financial statement disclosures may be required.

NOTE C – LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at December 31, 2019 and 2018:

Financial assets at year-end:	2019	2018
Cash and cash equivalents	\$ 2,264,607	\$ 1,332,513
Accounts receivable	97,109	151,055
Promises to give	1,491,765	-
Investments	2,569,985	2,044,179
Beneficial interest in asset held by other	18,267	15,702
	<u>6,441,733</u>	<u>3,543,449</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(3,060,488)	(544,406)
Beneficial interest in asset held by other	(18,267)	(15,702)
Board-designated capital reserves and House Expansion	<u>(1,144,155)</u>	<u>(144,155)</u>
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 2,218,823</u>	<u>\$ 2,839,186</u>

The Organization strives to maintain liquid assets in the form of cash targeted to cover 12 months of normal expenditures. Deposit accounts are maintained in several federally insured institutions. Balances are monitored and redistributed to ensure cash balances do not exceed the FIDIC insured level of \$250,000 at a single institution. Liquid assets in excess of this 12-month level are maintained in an investment account which is managed and reviewed in accordance with board policy. A review of the investment policy and objectives is undertaken no less frequently than annually in conjunction with the review of the Organization's financial condition and circumstances.

The governing board has designated, from net assets without donor restrictions, net assets for capital reserves totaling \$144,155 as of December 31, 2019 and 2018. In addition, the Board has designated up to \$1,000,000 from net assets without donor restrictions for the House Expansion project as needed.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE D – PROMISES TO GIVE

Unconditional promises to give for the House Expansion project are due as follows as of December 31, 2019:

	2019
Less than one year	\$ 1,266,585
One to three years	225,180
	<u>\$ 1,491,765</u>

Approximately 86% of the total promises to give balance is due from three donors.

NOTE E – INVESTMENTS

Investments consisted of the following as of December 31,

	2019	2018
Cash equivalents	\$ 314,706	\$ 39,567
Equity securities	774,551	649,983
Debt securities	1,480,728	1,354,629
	<u>\$ 2,569,985</u>	<u>\$ 2,044,179</u>

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

	2019	2018
Interest and dividend income, net of investment fees	\$ 62,278	\$ 56,678
Net realized and unrealized gains (losses)	217,087	(69,482)
	<u>\$ 279,365</u>	<u>\$ (12,804)</u>

NOTE F – FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE F – FAIR VALUE MEASUREMENTS (continued)

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation techniques and related inputs.

Money market fund – Valued at the closing price reported on the active market.

Equity securities – Valued at the closing price reported on the active market on which the individual securities are traded.

Debt securities – Valued using observable inputs such as the bond’s par value, maturity dates, and related interest and discount rates as well as quoted prices for similar assets.

Beneficial Interest in Assets Held by Others – Valued at the fair value of the Organization’s share of the investment pool held by a Foundation as of the measurement date. The underlying investments held by a Foundation are valued with readily available prices or valued using net asset value of shares held that have a readily available market value.

The fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value Measurements as of December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 314,706	\$ -	\$ -	\$ 314,706
Equity securities				
Common stock	458,582	-	-	458,582
Pooled equity funds	267,483	-	-	267,483
Exchange-traded funds	48,486	-	-	48,486
Debt securities				
Treasury and federal	-	321,264	-	321,264
State and municipal	-	582,878	-	582,878
Corporate bonds	-	520,936	-	520,936
Foreign obligation	-	55,650	-	55,650
Beneficial interest	-	-	18,267	18,267
	<u>\$ 1,089,257</u>	<u>\$ 1,480,728</u>	<u>\$ 18,267</u>	<u>\$ 2,588,252</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2019 and 2018

NOTE F – FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 39,567	\$ -	\$ -	\$ 39,567
Equity securities				
Common stock	373,887	-	-	373,887
Pooled equity funds	267,278	-	-	267,278
Exchange-traded funds	8,818	-	-	8,818
Debt securities				
Treasury and federal	-	267,699	-	267,699
State and municipal	-	503,550	-	503,550
Corporate bonds	-	474,769	-	474,769
Foreign obligation	-	108,611	-	108,611
Beneficial interest	-	-	15,702	15,702
	<u>\$ 689,550</u>	<u>\$ 1,354,629</u>	<u>\$ 15,702</u>	<u>\$ 2,059,881</u>

Changes in the fair value measurements using significant unobservable inputs (Level 3) consisted of the following as of December 31:

	2019	2018
Beginning balance	\$ 15,702	\$ 17,348
Purchases	-	-
Disbursements	-	-
Change in value of beneficial interest	2,565	(1,646)
Ending balance	<u>\$ 18,267</u>	<u>\$ 15,702</u>

NOTE G – PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	2019	2018
Land	N/A	\$ 230,052	\$ 230,052
Building and improvements	7 - 39 years	2,098,827	2,098,827
Furniture and equipment	3 - 10 years	167,683	167,683
Vehicles	5 years	42,847	42,847
Artwork	7 years	11,025	11,025
		<u>2,550,434</u>	<u>2,550,434</u>
Less: accumulated depreciation		<u>(1,330,869)</u>	<u>(1,142,857)</u>
		1,219,565	1,407,577
Construction in process		83,177	-
		<u>\$ 1,302,742</u>	<u>\$ 1,407,577</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
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NOTE H –NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Ronald McDonald House Share-A-Night	\$ 176,083	\$ 173,385
Ronald McDonald Care Mobile II	265,828	292,891
Ronald McDonald Family Room	47,063	59,193
Ronald McDonald House Expansion	2,566,744	10,100
Project Design	4,771	6,770
Coca Cola products	-	2,067
	<u>3,060,489</u>	<u>544,406</u>
Subject to the Organization’s spending policy and appropriation:		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	5,000	5,000
Not subject to appropriation or expenditure:		
Land required to be used for a Ronald McDonald House	<u>230,052</u>	<u>230,052</u>
Total net assets with donor restrictions	<u>\$ 3,295,541</u>	<u>\$ 779,458</u>

NOTE I –NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Ronald McDonald House Share-A-Night	\$ 16,010	\$ 14,810
Ronald McDonald Care Mobile II	49,163	90,547
Ronald McDonald Family Room	12,130	11,865
Richard Heyer Fund – Family Room	-	132,837
Ronald McDonald House Expansion	99,544	-
Project Design	1,999	4,357
Coca Cola products	4,067	5,615
	<u>182,913</u>	<u>260,031</u>
Release of restricted gift amount originally required to be maintained in perpetuity	-	3,096
Total restrictions released	<u>\$ 182,913</u>	<u>\$ 263,127</u>
Operating restrictions released	\$ 99,736	\$ 263,127
Nonoperating restrictions released	<u>83,177</u>	<u>-</u>
	<u>\$ 182,913</u>	<u>\$ 263,127</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
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NOTE J – LICENSING AGREEMENT

The Organization entered into an agreement with McDonald's Corporation (the "Corporation") on December 8, 2003 to obtain a license to use the trademarks and copyrights of the Corporation for the purpose of raising funds from public and private sources and making grants to other not-for-profit organizations for the benefit of children in the local area. The term of the license shall continue until terminated by either party, with or without cause, upon 30 days' written notice. The annual fee due under the license is \$1.

Under the terms of the license, the Organization is required to remit to RMHC Global 25% of contributions received through local McDonald's restaurants as a result of national fundraising campaigns. For the years ended December 31, 2019 and 2018, the collections from national fundraising campaigns were deposited directly to RMHC Global and the net contribution was provided to the Organization. The amount received was recorded as contributions in the statement of activities.

NOTE K – COMMITMENTS

The Organization has an agreement with RMHC Global and Healthcare Network of Southwest Florida ("HCNSWFL") for the support of the Ronald McDonald Care Mobile (the "Care Mobile"). Under the terms of the agreement, the Organization will contribute an amount equal to the lesser of 20% of the annual expenses incurred by HCNSWFL in operating the Care Mobile or \$120,000. During the years ended December 31, 2019 and 2018, \$84,279 and \$79,273, respectively, was contributed to the Care Mobile and is included in grants in the statement of functional expenses. The agreement will terminate upon either the termination of the licensing agreement for the Care Mobile between HCNSWFL and RMHC Global or the termination of the agreement between the Organization and RMHC Global.

The Organization has an agreement with RMHC Global and Family Health Center of Southwest Florida, Inc. (FHCSWFL) for the support of a second Ronald McDonald Care Mobile (the "Care Mobile II") which began operating in January 2018. The initial term of the agreement is five years with automatic consecutive five-year renewal terms and may be terminated with a 90-day written notice by the Organization, FHCSWFL or RHMC Global. Under the terms of the agreement, the Organization will contribute an amount equal to 20% of the annual expenses incurred by FHCSWFL in operating the Care Mobile II. During the years ended December 31, 2019 and 2018, \$45,788 and \$90,000, respectively, was contributed to the Care Mobile II and is included in grants in the statement of functional expenses.

The Organization awarded scholarships to eligible students in prior years. The scholarships awarded are one-year scholarships or four-year scholarships. The receipt of the scholarship award in future years is contingent upon verification of the student's enrollment and good standing with the education institution. As of December 31, 2019, the Organization's scholarship commitments to students in future years are as follows: \$7,000 in 2020 and \$2,000 in 2021.

During the year ended December 31, 2019, the Organization entered into a construction contract for the Ronald McDonald House Expansion of approximately \$1,000,000, and contracts for architectural and engineering services totaling approximately \$100,000. As of December 31, 2019, approximately 83% of the architectural and engineering services were complete. Construction began subsequent to year-end.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
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NOTE L – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances and certificates of deposit at various financial institutions. Cash accounts and certificates of deposit at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Also, money market funds held in the investment account are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000. As of December 31, 2019 and 2018, there were no uninsured balances within cash accounts or money market funds.

NOTE M – SIMPLE IRA PLAN

The Organization has established a Simple IRA Plan for eligible employees. The Organization makes a dollar-for-dollar match of employee elective deferrals up to 3% of the employee's compensation. For the years ended December 31, 2019 and 2018, the Organization contributed \$9,213 and \$8,400, respectively, in matching contributions which is included in payroll and benefits in the statement of functional expenses.

NOTE N – ECONOMIC DEPENDENCY

The Organization received approximately 27% and 22% of its operating revenue from the Storybook Ball event, during the years ended December 31, 2019 and 2018, respectively. In addition, the Organization received approximately 12% of its operating revenue from the annual Golf Tournament event during each of the years ended December 31, 2019 and 2018.

The Organization raised contributions under a capital campaign for the Ronald McDonald House Expansion project during the year ended December 31, 2019. Approximately, 74% of the support and revenue raised for the capital project was received from three donors.

NOTE O – SUBSEQUENT EVENTS

The Organization evaluated its 2019 financial statements for subsequent events through August 26, 2020, the date the financial statements were available to be issued. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on families, donors, employees and vendors all of which are uncertain and cannot be predicted. The Organization is in the process of implementing risk mitigation tactics related to the risk of impact, if any, of COVID-19 as it relates to all aspects of the Organization's transactions with families, donors, vendors, and human interaction within and outside of the Organization. The extent to which COVID-19 may impact financial condition or results of operations of the Organization is unknown at this time.

Subsequent to year end, the Organization entered into a new loan agreement in accordance with the Paycheck Protection Program in the amount of \$65,100. The loan agreement is related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and pursuant to all regulations and guidance promulgated or provided by the Small Business Administration (SBA). The interest rate will be 1%. No interest or principal are required during the first ten months after the loan amount is disbursed. After such ten-month deferral period and after taking into account any loan forgiveness applicable to the loan pursuant to the Program, as approved by SBA, any remaining principal and accrued interest will be payable in substantially equal monthly installments over the remaining term of the loan.