

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

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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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, 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 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, 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.

Hughes, Snell & Co., P.A.

HUGHES, SNELL & CO., P.A.

Fort Myers, Florida
August 13, 2021

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statements of Financial Position
December 31, 2020 and 2019

		<u>ASSETS</u>	
		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,440,795	\$ 1,519,457
Accounts receivable		20,977	97,109
Prepaid expenses		29,353	29,070
Investments		2,480,089	2,255,695
Total Current Assets		<u>3,971,214</u>	<u>3,901,331</u>
NONCURRENT ASSETS			
Cash and cash equivalents restricted for House Expansion		760,108	1,059,440
Promises to give for House Expansion		618,583	1,491,765
Property and equipment, net		2,978,597	1,302,742
Beneficial interest in asset held by others		19,942	18,267
Total Noncurrent Assets		<u>4,377,230</u>	<u>3,872,214</u>
Total Assets	\$	<u><u>8,348,444</u></u>	\$ <u><u>7,773,545</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	85,383	\$ 91,523
Deferred revenue		18,318	34,605
Leadership conference payable		3,065	101,242
Total Current Liabilities		<u>106,766</u>	<u>227,370</u>
NET ASSETS			
Without donor restrictions		6,172,302	4,250,634
With donor restrictions		2,069,376	3,295,541
Total Net Assets		<u>8,241,678</u>	<u>7,546,175</u>
Total Liabilities and Net Assets	\$	<u><u>8,348,444</u></u>	\$ <u><u>7,773,545</u></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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Gross proceeds from fundraising events	\$ 308,095	\$ -	\$ 308,095	\$ 531,015	\$ -	\$ 531,015
Less: cost of direct benefits to donors	(126,931)	-	(126,931)	(198,871)	-	(198,871)
Net proceeds from fundraising events	181,164	-	181,164	332,144	-	332,144
Contributions	592,425	24,296	616,721	438,546	37,287	475,833
Guest donations	-	950	950	-	5,522	5,522
In-kind contributions	48,652	-	48,652	13,500	-	13,500
Net assets released from restrictions	63,659	(63,659)	-	99,736	(99,736)	-
Total Revenues and Support	885,900	(38,413)	847,487	883,926	(56,927)	826,999
EXPENSES						
Program services	667,113	-	667,113	625,907	-	625,907
General and administrative	183,570	-	183,570	208,445	-	208,445
Fundraising	226,140	-	226,140	225,358	-	225,358
Total Expenses	1,076,823	-	1,076,823	1,059,710	-	1,059,710
CHANGE IN NET ASSETS FROM OPERATIONS						
	(190,923)	(38,413)	(229,336)	(175,784)	(56,927)	(232,711)
NONOPERATING ACTIVITIES						
Contributions restricted for House Expansion	-	99,812	99,812	-	2,656,187	2,656,187
In-kind contributions for House Expansion	576,219	-	576,219	-	-	-
Net assets released from restrictions	1,287,564	(1,287,564)	-	83,177	(83,177)	-
Net investment return	248,808	-	248,808	279,365	-	279,365
CHANGE IN NET ASSETS	1,921,668	(1,226,165)	695,503	186,758	2,516,083	2,702,841
NET ASSETS, BEGINNING OF YEAR	4,250,634	3,295,541	7,546,175	4,063,876	779,458	4,843,334
NET ASSETS, END OF YEAR	\$ 6,172,302	\$ 2,069,376	\$ 8,241,678	\$ 4,250,634	\$ 3,295,541	\$ 7,546,175

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, 2020 (with summarized comparative totals for 2019)

	2020					2019
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donor	Total	
EXPENSES						
Payroll and benefits	\$ 148,464	\$ 117,836	\$ 94,843	\$ -	\$ 361,143	\$ 348,658
Payroll taxes	13,769	6,556	5,901	-	26,226	24,228
Total Salaries and Related Expenses	162,233	124,392	100,744	-	387,369	372,886
Fund raising	-	-	106,072	-	106,072	105,553
Event facilities and entertainment	-	-	-	126,931	126,931	198,871
Marketing	4,054	1,196	133	-	5,383	3,756
Insurance	20,263	3,621	2,646	-	26,530	23,170
Office	12,195	5,720	1,165	-	19,080	26,818
Outside service contracts	20,540	2,417	1,208	-	24,165	21,997
Professional fees	53,758	19,328	-	-	73,086	43,408
Repair and maintenance	30,923	2,932	2,193	-	36,048	39,617
Supplies	36,133	1,308	653	-	38,094	47,798
Travel and entertainment	-	496	-	-	496	8,277
Utilities	16,787	2,600	1,908	-	21,295	25,259
Volunteer	1,629	372	-	-	2,001	3,477
Grants	146,878	-	-	-	146,878	147,067
Miscellaneous	1,599	350	-	-	1,949	2,615
Depreciation	160,121	18,838	9,418	-	188,377	188,012
Total Expenses	\$ 667,113	\$ 183,570	\$ 226,140	\$ 126,931	1,203,754	1,258,581
				Direct benefits to donor	(126,931)	(198,871)
				Total Expenses - Statement of Activities	\$ 1,076,823	\$ 1,059,710

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

	Program Services	General and Administrative	Fundraising	Direct Benefit to Donor	Total
EXPENSES					
Payroll and benefits	\$ 150,248	\$ 109,314	\$ 89,096	\$ -	\$ 348,658
Payroll taxes	12,720	6,057	5,451	-	24,228
Total Salaries and Related Expenses	<u>162,968</u>	<u>115,371</u>	<u>94,547</u>	-	<u>372,886</u>
Fund raising	-	-	105,553	-	105,553
Event facilities and entertainment	-	-	-	198,871	198,871
Marketing	3,756	-	-	-	3,756
Insurance	16,990	4,090	2,090	-	23,170
Office	12,725	7,000	7,093	-	26,818
Outside service contracts	18,697	2,200	1,100	-	21,997
Professional fees	11,908	31,500	-	-	43,408
Repair and maintenance	17,682	19,449	2,486	-	39,617
Supplies	45,529	1,513	756	-	47,798
Travel and entertainment	3,232	5,045	-	-	8,277
Utilities	19,858	3,126	2,275	-	25,259
Volunteer	3,420	-	57	-	3,477
Grants	147,067	-	-	-	147,067
Miscellaneous	2,265	350	-	-	2,615
Depreciation	<u>159,810</u>	<u>18,801</u>	<u>9,401</u>	-	<u>188,012</u>
Total Expenses \$	<u><u>625,907</u></u>	<u><u>208,445</u></u>	<u><u>225,358</u></u>	<u><u>198,871</u></u>	1,258,581
				Direct benefits to donor	<u>(198,871)</u>
				Total Expenses - Statement of Activities \$	<u><u>1,059,710</u></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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 695,503	\$ 2,702,841
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Noncash contributions restricted for House Expansion	-	(504,728)
In-kind contributions for house expansion	(576,219)	-
Contributions restricted for House Expansion	(117,300)	(2,151,459)
Loss on uncollectible promise to give	6,000	-
Loan forgiveness	(65,100)	-
Depreciation	188,377	188,012
Net realized and unrealized (gains) losses on investments	(190,206)	(217,087)
Interest and dividend reinvestment	(41,094)	(45,509)
Accrued interest	(10,398)	(11,047)
(Increase) decrease in assets:		
Accounts receivable	76,132	53,946
Prepaid expenses	(283)	(6,732)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(6,140)	(7,197)
Deferred revenue	(16,287)	3,295
Leadership conference payable	(98,177)	101,242
Net Cash Provided by (Used in) Operating Activities	<u>(155,192)</u>	<u>\$ 105,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,288,013)	(83,177)
Purchases of investments	(1,118,955)	(1,444,054)
Proceeds from sale of investments	1,135,623	1,758,344
Net Cash Provided by (Used in) Investing Activities	<u>(1,271,345)</u>	<u>231,113</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable loan	65,100	-
Contributions received for House Expansion	983,443	909,694
Net Cash Provided by Financing Activities	<u>1,048,543</u>	<u>909,694</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	(377,994)	1,246,384
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,578,897</u>	<u>1,332,513</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,200,903</u></u>	<u><u>\$ 2,578,897</u></u>
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 1,440,795	\$ 1,519,457
Cash and cash equivalents restricted for House Expansion	760,108	1,059,440
	<u><u>\$ 2,200,903</u></u>	<u><u>\$ 2,578,897</u></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, 2020 and 2019

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 a loss on an uncollectible promise to give of \$6,000 for the year ended December 31, 2020. There was no bad debt expense or loss on uncollectible promises to give for the year ended December 31, 2019. 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, 2020 and 2019

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 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 2020 or 2019.

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, 2020 and 2019

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 had 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.

The Organization records special events revenue including sponsorships and ticket sales when the event takes place.

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.

During the year ended December 31, 2020, the Organization received \$430,425 of donated furnishings and \$145,794 of professional services for the House Expansion that were capitalized and included in property and equipment on the statement of financial position. In addition, the Organization received supplies and other items totaling \$6,000 during the year ended December 31, 2020.

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, 2020 and 2019, the Organization recognized other donated services in the amount of \$44,052 and 21,900, respectively.

The Organization also receives significant contributions of time from volunteers in furtherance of the mission of the Organization that are not recorded in the financial statements as they do not meet the criteria for recognition under GAAP. During the year ended December 31, 2020, a total of 2,617 hours of service were provided by 701 volunteers. During the year ended December 31, 2019, a total of 23,207 hours of service were provided by 2,611 volunteers. These volunteer services are valued at approximately \$39,000 and \$348,000 for the years ended December 31, 2020 and 2019, respectively.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, 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.

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, 2020 and 2019. 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.

The Organization made no cash payments for income tax or interest during the years ended December 31, 2020 and 2019.

During the year ended December 31, 2020, noncash investing and financing activities included the receipt of donated professional services and furnishings for the House Expansion project totaling \$576,219.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 13, 2021, the date that the financial statements were available to be issued.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

The Organization adopted FASB’s Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* beginning January 1, 2020. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization implemented the standard in 2020 using the modified retrospective method, and adoption did not have a material impact on the Organization’s consolidated financial statements. Therefore, no adjustment was required to the opening balance of net assets at the date of initial application.

NOTE C – LIQUIDITY AND AVAILABILITY

The following represents the Organization’s financial assets at December 31, 2020 and 2019:

Financial assets at year-end:	2020	2019
Cash and cash equivalents	\$ 2,200,903	\$ 2,578,897
Accounts receivable	20,977	97,109
Promises to give	618,583	1,491,765
Investments	2,480,089	2,255,695
Beneficial interest in asset held by other	19,942	18,267
	<u>5,340,494</u>	<u>6,441,733</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,839,324)	(3,060,488)
Beneficial interest in asset held by other	(19,942)	(18,267)
Board-designated capital reserves and House Expansion	(185,155)	(1,144,155)
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 3,296,073</u>	<u>\$ 2,218,823</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 \$185,155 and \$144,155 as of December 31, 2020 and 2019, respectively. In addition, the Board had designated up to \$1,000,000 from net assets without donor restrictions for the House Expansion project as needed. The designation was released upon the completion of the project in 2020.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE D – PROMISES TO GIVE

Unconditional promises to give for the House Expansion project are due as follows as of December 31, 2020 and 2019:

	2020	2019
Less than one year	\$ 592,506	\$ 1,266,585
One to three years	26,077	225,180
	<u>\$ 618,583</u>	<u>\$ 1,491,765</u>

Approximately 91% of the total promises to give balance was due from two donors as of December 31, 2020. Approximately 86% of the total promises to give balance was due from three donors as of December 31, 2019.

NOTE E – INVESTMENTS

Investments consisted of the following as of December 31,

	2020	2019
Equity securities	902,950	774,551
Debt securities	1,577,139	1,481,144
	<u>\$ 2,480,089</u>	<u>\$ 2,255,695</u>

The composition of net investment return on the Organization's investment portfolio for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Interest and dividend income, net of investment fees	\$ 58,602	\$ 62,278
Net realized and unrealized gains (losses)	190,206	217,087
	<u>\$ 248,808</u>	<u>\$ 279,365</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, 2020 and 2019

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.

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, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
Common stock	\$ 529,955	\$ -	\$ -	\$ 529,955
Pooled equity funds	372,995	-	-	372,995
Debt securities				
Treasury and federal	-	316,734	-	316,734
State and municipal	-	644,547	-	644,547
Corporate bonds	-	555,209	-	555,209
Foreign obligation	-	60,649	-	60,649
Beneficial interest	-	-	19,942	19,942
	<u>\$ 902,950</u>	<u>\$ 1,577,139</u>	<u>\$ 19,942</u>	<u>\$ 2,500,031</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE F – FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
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	-	583,294	-	583,294
Corporate bonds	-	520,936	-	520,936
Foreign obligation	-	55,650	-	55,650
Beneficial interest	-	-	18,267	18,267
	<u>\$ 774,551</u>	<u>\$ 1,481,144</u>	<u>\$ 18,267</u>	<u>\$ 2,273,962</u>

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

	2020	2019
Beginning balance	\$ 18,267	\$ 15,702
Purchases	-	-
Disbursements	-	-
Change in value of beneficial interest	1,675	2,565
Ending balance	<u>\$ 19,942</u>	<u>\$ 18,267</u>

NOTE G – PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	2020	2019
Land	N/A	\$ 230,052	\$ 230,052
Building and improvements	7 - 39 years	4,021,187	2,098,827
Furniture and equipment	3 - 10 years	187,071	167,683
Vehicles	5 years	42,847	42,847
Artwork	7 years	11,025	11,025
		<u>4,492,182</u>	<u>2,550,434</u>
Less: accumulated depreciation		<u>(1,513,585)</u>	<u>(1,330,869)</u>
		2,978,597	1,219,565
Construction in process		-	83,177
		<u>\$ 2,978,597</u>	<u>\$ 1,302,742</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Ronald McDonald House Share-A-Night	\$ 188,569	\$ 176,083
Ronald McDonald Care Mobile II	215,321	265,828
Ronald McDonald Family Room	44,474	47,063
Ronald McDonald House Expansion, Renovation and Future Working Capital	1,378,991	2,566,744
Project Design	4,771	4,771
Coca Cola products	2,198	-
	<u>1,834,324</u>	<u>3,060,489</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	230,052	230,052
Total net assets with donor restrictions	<u>\$ 2,069,376</u>	<u>\$ 3,295,541</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Ronald McDonald House Share-A-Night	\$ 3,760	\$ 16,010
Ronald McDonald Care Mobile II	55,507	49,163
Ronald McDonald Family Room	2,589	12,130
Ronald McDonald House Expansion	1,287,564	99,544
Project Design	-	1,999
Coca Cola products	1,803	4,067
Total restrictions released	<u>\$ 1,351,223</u>	<u>\$ 182,913</u>
Operating restrictions released	\$ 63,659	\$ 99,736
Nonoperating restrictions released	1,287,564	83,177
	<u>\$ 1,351,223</u>	<u>\$ 182,913</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, 2020 and 2019, 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, 2020 and 2019, \$76,900 and \$84,279, 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 RMHC 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, 2020 and 2019, \$54,978 and \$45,788, 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, 2020, the Organization's scholarship commitments to students in future years amounts to \$7,000.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE L – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at various financial institutions. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2020, there was \$300,574 of uninsured cash balances. As of December 31, 2019, there were no uninsured balances within the cash accounts. The Organization has not experienced any economic losses on such accounts and believes it is not exposed to any significant credit risk.

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, 2020 and 2019, the Organization contributed \$9,335 and \$9,213, 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 32% and 27% of its operating revenue from the Storybook Ball event, during the years ended December 31, 2020 and 2019, respectively. In addition, the Organization received approximately 12% of its operating revenue from the annual Golf Tournament event during the year ended December 31, 2019.

The Organization raised significant 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 – PAYCHECK PROTECTION PROGRAM LOAN

During 2020, the Organization received a loan through the Paycheck Protection Program for \$65,100. The loan was provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is pursuant to all regulations and guidance promulgated or provided by the Small Business Administration (SBA). The Organization applied for loan forgiveness under the guidelines of the SBA and received approval of loan forgiveness of \$65,100 on May 26, 2021. As a result, the loan proceeds are recorded in contributions in the statement of activities for the year ended December 31, 2020.

NOTE P – CONTINGENCY

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 continuing to implement 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.