

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

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ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2019

Dear Friends of Atlanta Ronald McDonald House Charities:

Thank you for your support of Atlanta RMHC! The year 2019 marked 40 years since this journey began, 40 years since visionaries whose hearts were filled with love, compassion and tenacity turned a dream into reality. That dream dared to consider meaningful ways the Atlanta community could help sick children and their families. It challenged conventional thinking and continued to ask and force answers to, "What if?" In 1979, we started with one Ronald McDonald House with eight bedrooms. Today, we have two Ronald McDonald Houses with 81 guest rooms, a Ronald McDonald Care Mobile and a Ronald McDonald Family Room. In that time, we have gone from caring for 352 families to 3,518 families. We are very proud of our continued progress, growing our impact on children and families while ensuring long-term financial stability for the Charity.

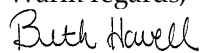
Our Ronald McDonald Houses hosted 2,926 visits from families whose children face life-threatening illnesses or injuries for 19,870 nights, allowing them to remain close to each other and the care they need. Our Ronald McDonald Care Mobile received 1,346 visits from asthma patients at 11 Atlanta Public Schools, helping to improve their lung function. Our Ronald McDonald Family Room inside Children's at Scottish Rite hosted 40,170 family member visits while their child was undergoing cancer treatment, providing them an area of respite just steps away from the child's bedside. In addition to our staff, volunteers donated over 49,000 hours to help support these children and families with meals and activities such as Santa's Workshop, arts and crafts, and movie nights. Their love and compassion help families cope better during this very stressful time.

As we celebrated this momentous milestone, our community stepped up to celebrate with us and helped us exceed our annual financial goals. We continued to strengthen our financial position while ensuring we are growing our impact. Program investments represented 80% of our total \$5.5 million annual expenses, reflecting our strong commitment to investing in our mission. Our total net assets are valued at \$40 million, with \$27 million invested in property and equipment and over \$12 million in cash, investments and pledges receivable. Our financial position as a result of last year has allowed us to confidently face the uncertainty of the current year and continue to serve families.

For the second consecutive year, Atlanta RMHC earned a four-star rating from Charity Navigator, an independent evaluator of non-profits in the U.S. This is the highest possible rating and verifies Atlanta RMHC exceeds industry standards and outperforms most charities in its area of work. Additionally, Atlanta RMHC holds the Platinum Seal of Transparency, the highest level of recognition offered by GuideStar, the world's largest source of non-profit information. These ratings are rewarded for demonstrating strong financial health and commitment to accountability and transparency.

To our community of leaders, donors and volunteers who give selflessly in good and bad times, thank you. You are the family behind our families, ensuring this organization thrives so that they can have a home away from home. I remain honored to be a part of this organization, together with you.

Warm regards,



President & CEO

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Atlanta Ronald McDonald House Charities, Inc.

We have audited the accompanying financial statements of Atlanta Ronald McDonald House Charities, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of 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.

Opinion

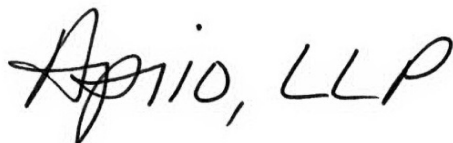
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Ronald McDonald House Charities, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of scholarships granted on page 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

August 3, 2020

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,907,771	\$ 1,438,584	\$ 5,346,355
Other receivables	691,164	-	691,164
Pledges receivable, net	-	148,200	148,200
Prepaid expenses	38,034	-	38,034
Investments, at fair value	6,054,560	648,450	6,703,010
Property and equipment, net	<u>27,231,839</u>	<u>-</u>	<u>27,231,839</u>
 Total assets	 <u>\$ 37,923,368</u>	 <u>\$ 2,235,234</u>	 <u>\$ 40,158,602</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 204,130	\$ -	\$ 204,130
Deferred revenue	3,104	-	3,104
Pledge payable	<u>595,316</u>	<u>-</u>	<u>595,316</u>
 Total liabilities	 <u>802,550</u>	 <u>-</u>	 <u>802,550</u>
 <u>NET ASSETS</u>	 <u>37,120,818</u>	 <u>2,235,234</u>	 <u>39,356,052</u>
 Total liabilities and net assets	 <u>\$ 37,923,368</u>	 <u>\$ 2,235,234</u>	 <u>\$ 40,158,602</u>

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,216,814	\$ 360,876	\$ 2,577,690
Other receivables	285,277	-	285,277
Pledges receivable, net	-	134,284	134,284
Prepaid expenses	48,151	-	48,151
Investments, at fair value	6,695,761	1,711,155	8,406,916
Property and equipment, net	28,588,654	-	28,588,654
Total assets	\$ 37,834,657	\$ 2,206,315	\$ 40,040,972
 <u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 175,692	\$ -	\$ 175,692
Deferred revenue	41,451	-	41,451
Pledge payable	902,590	-	902,590
Total liabilities	1,119,733	-	1,119,733
NET ASSETS	36,714,924	2,206,315	38,921,239
Total liabilities and net assets	\$ 37,834,657	\$ 2,206,315	\$ 40,040,972

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ <u>3,952,587</u>	\$ <u>101,800</u>	\$ <u>4,054,387</u>
Special events revenue	1,812,713	-	1,812,713
Less: direct benefit cost	<u>(625,852)</u>	<u>-</u>	<u>(625,852)</u>
Special events revenue, net	1,186,861	-	1,186,861
Room revenue	95,170	-	95,170
Net assets released from restrictions	<u>96,975</u>	<u>(96,975)</u>	<u>-</u>
Total revenues and other support	<u>5,331,593</u>	<u>4,825</u>	<u>5,336,418</u>
<u>EXPENSES</u>			
Program	4,472,260	-	4,472,260
Supporting services:			
General and administrative	462,927	-	462,927
Fundraising	597,599	-	597,599
Unallocated payments to National Organization	<u>51,601</u>	<u>-</u>	<u>51,601</u>
Total expenses	<u>5,584,387</u>	<u>-</u>	<u>5,584,387</u>
Change in net assets from operations	(252,794)	4,825	(247,969)
Investment return	<u>658,688</u>	<u>24,094</u>	<u>682,782</u>
Change in net assets	405,894	28,919	434,813
Net assets at beginning of year	<u>36,714,924</u>	<u>2,206,315</u>	<u>38,921,239</u>
Net assets at end of year	<u>\$ <u>37,120,818</u></u>	<u>\$ <u>2,235,234</u></u>	<u>\$ <u>39,356,052</u></u>

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE AND OTHER SUPPORT</u>			
Contributions	\$ 3,610,856	\$ 739,121	\$ 4,349,977
Special events revenue	2,372,397	-	2,372,397
Less: direct benefit cost	(927,780)	-	(927,780)
Special events revenue, net	1,444,617	-	1,444,617
Room revenue	93,488	-	93,488
Other income	872	-	872
Net assets released from restrictions	1,334,312	(1,334,312)	-
Total revenue and other support	6,484,145	(595,191)	5,888,954
<u>EXPENSES</u>			
Program	4,288,632	-	4,288,632
Supporting services:			
General and administrative	359,189	-	359,189
Fundraising	545,514	-	545,514
Unallocated payments to National Organization	61,346	-	61,346
Total expenses	5,254,681	-	5,254,681
Change in net assets from operations	1,229,464	(595,191)	634,273
Investment return	(100,411)	(12,221)	(112,632)
Change in net assets	1,129,053	(607,412)	521,641
Net assets at beginning of year	35,585,871	2,813,727	38,399,598
Net assets at end of year	\$ 36,714,924	\$ 2,206,315	\$ 38,921,239

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services					General and Administrative	Fundraising	Total
	House Operations	Grant Making	Care Mobile	Family Room	Total			
Salaries and related expenses	\$ 1,289,889	\$ 25,275	\$ 56,200	\$ 186,846	\$ 1,558,210	\$ 125,888	\$ 535,763	\$ 2,219,861
Direct benefit cost	-	-	-	-	-	-	625,852	625,852
House occupancy	492,678	-	-	-	492,678	-	-	492,678
House maintenance and repair	252,105	-	-	-	252,105	-	-	252,105
Insurance	61,613	386	757	2,148	64,904	3,155	7,461	75,520
Marketing	78,927	-	-	-	78,927	40,784	-	119,711
Scholarship	-	37,692	-	-	37,692	-	-	37,692
Office and supplies	19,507	-	-	1,701	21,208	34,635	-	55,843
Technology	105,308	-	-	-	105,308	84,815	-	190,123
Bank and transaction fees	-	-	-	-	-	53,465	-	53,465
Professional fees	-	-	-	-	-	97,200	-	97,200
Other	<u>17,933</u>	<u>-</u>	<u>-</u>	<u>1,020</u>	<u>18,953</u>	<u>15,970</u>	<u>54,375</u>	<u>89,298</u>
Total expenses before depreciation, donated materials and services	2,317,960	63,353	56,957	191,715	2,629,985	455,912	1,223,451	4,309,348
Depreciation	1,369,210	-	-	-	1,369,210	7,015	-	1,376,225
Donated materials and services	<u>473,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,065</u>	<u>-</u>	<u>-</u>	<u>473,065</u>
Total expenses by function	4,160,235	63,353	56,957	191,715	4,472,260	462,927	1,223,451	6,158,638
Less expenses included with revenues on the statement of activities								
Direct benefit costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(625,852)</u>	<u>(625,852)</u>
Total functional expenses	<u>\$ 4,160,235</u>	<u>\$ 63,353</u>	<u>\$ 56,957</u>	<u>\$ 191,715</u>	<u>\$ 4,472,260</u>	<u>\$ 462,927</u>	<u>\$ 597,599</u>	<u>\$ 5,532,786</u>

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					General and Administrative	Fundraising	Total
	House Operations	Grant Making	Care Mobile	Family Room	Total			
Salaries and related expenses	\$ 1,047,247	\$ 58,251	\$ 43,432	\$ 96,557	\$ 1,245,487	\$ 145,765	\$ 469,988	\$ 1,861,240
Direct benefit cost	-	-	-	-	-	-	927,780	927,780
House occupancy	474,648	-	-	-	474,648	-	-	474,648
House maintenance and repair	367,683	-	-	-	367,683	-	-	367,683
Insurance	54,587	1,939	213	1,071	57,810	5,673	3,197	66,680
Marketing	62,202	-	-	-	62,202	31,098	-	93,300
Scholarship	-	93,240	-	-	93,240	-	-	93,240
Office and supplies	16,960	-	-	1,821	18,781	41,992	493	61,266
Technology	107,418	409	725	4,481	113,033	1,569	7,974	122,576
Bank and transaction fees	-	-	-	-	-	49,384	-	49,384
Professional fees	-	-	-	-	-	47,014	30,000	77,014
Other	<u>58,648</u>	<u>560</u>	<u>993</u>	<u>9,145</u>	<u>69,346</u>	<u>29,679</u>	<u>33,862</u>	<u>132,887</u>
Total expenses before depreciation, donated materials and services	2,189,393	154,399	45,363	113,075	2,502,230	352,174	1,473,294	4,327,698
Depreciation	1,352,754	-	-	-	1,352,754	7,015	-	1,359,769
Donated materials and services	<u>433,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,648</u>	<u>-</u>	<u>-</u>	<u>433,648</u>
Total expenses by function	3,975,795	154,399	45,363	113,075	4,288,632	359,189	1,473,294	6,121,115
Less expenses included with revenues on the statement of activities								
Direct benefit costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(927,780)</u>	<u>(927,780)</u>
Total functional expenses	<u>\$ 3,975,795</u>	<u>\$ 154,399</u>	<u>\$ 45,363</u>	<u>\$ 113,075</u>	<u>\$ 4,288,632</u>	<u>\$ 359,189</u>	<u>\$ 545,514</u>	<u>\$ 5,193,335</u>

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<u>Operating activities:</u>		
Change in net assets	\$ 434,813	\$ 521,641
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,376,225	1,359,769
Realized gain on sales of investments	(53,624)	(148,999)
Unrealized (gain) loss on investments	(456,174)	405,745
Provision for uncollectible pledges receivable	-	1,800
Payments on pledges received	(86,084)	(212,544)
(Increase) decrease in assets:		
Other receivables	(405,887)	249,349
Pledges receivable	(13,917)	222,544
Prepaid expenses	10,118	(2,956)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	28,440	(19,187)
Deferred revenue	(38,348)	(42,254)
Pledge payable	(307,274)	(290,693)
Net cash provided by operating activities	488,288	2,044,215
<u>Investing activities:</u>		
Purchase of property and equipment	(19,410)	(1,132,582)
Proceeds from sale of investments	4,917,562	1,037,926
Investment return reinvested and purchase of investments	(2,703,859)	(5,442,230)
Net cash provided by (used in) investing activities	2,194,293	(5,536,886)
<u>Financing activities:</u>		
Payments on pledges received	86,084	212,544
Net cash used in financing activities	86,084	212,544
Net increase (decrease) in cash and cash equivalents	2,768,665	(3,280,127)
Cash and cash equivalents at beginning of year	2,577,690	5,857,817
Cash and cash equivalents at end of year	\$ 5,346,355	\$ 2,577,690

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note A

Description of Operations

Atlanta Ronald McDonald House Charities, Inc. (the "Organization") is a charitable organization whose mission is to nurture the health and well-being of children and families across the United States, the majority of which reside in Georgia, through four programs:

- 1) providing temporary lodging for families whose children are undergoing treatment at local hospitals
- 2) providing scholarships to children to assist them in accessing education
- 3) providing asthma care to children through the Ronald McDonald Care Mobile program
- 4) providing a place of respite within the hospital for families whose children are receiving inpatient care in the oncology/hematology unit through the Ronald McDonald Family Room

The Organization also makes grants and contributions to organizations which engage, in whole or in part, in educating children, providing for the essential needs of children, or carrying on research for, or treatment of, physical and mental diseases and other disorders of children. The Organization is supported primarily through donor contributions, grants, and fundraising activities.

Note B

Summary of Significant Accounting Policies

New Accounting Pronouncements:

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). Topic 606 supersedes the revenue recognition requirements in FASB ASC 606, Revenue Recognition, and 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 Topic 606 is referred to as the "New Guidance."

The Organization adopted the requirements of the New Guidance as of January 1, 2019, utilizing the modified retrospective method of transition. The adoption of the New Guidance does not have a material impact to the Organization's financial statements.

In June 2018, the FASB issued Accounting Standards Update No. ("ASU") 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* which requires conditional contributions to be treated as deferred income until the measurable performance barrier is met and a right of return condition no longer exists. The Organization adopted the amendments in ASU 2018-08. Amendments to this update are applied on a modified prospective basis and effective for the year beginning January 1, 2019.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note B

Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation:

Financial statement presentation is in accordance with accounting standards regarding the reporting of net assets. The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting. Contributions are recognized upon an unconditional promise to give by a donor to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions received from donors with permanent restriction are maintained as net assets with donor restrictions in perpetuity. Expenses are recognized when incurred.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include collectability of pledges receivable and discount on pledges receivable. Actual results could differ from those estimates.

Cash Equivalents:

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note B

Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk:

The Organization maintains its cash balances in several financial institutions. Such balances, at times, may exceed federally insured limits. The Organization has not experienced any such losses and does not believe that it is exposed to any significant risk on its cash and cash equivalents.

Revenue Recognition from Exchange Transactions:

Atlanta Ronald McDonald House Charities, Inc. earns revenue through exchange transactions from various outlets, including room revenue and various fundraising events held during the year. These revenues are recognized in the accounting period during which the program is conducted, or the overnight stay occurs.

The Organization evaluates if the services represent separate performance obligations and determines that such arrangements only have one performance obligation because the underlying goods and services delivered are not distinct. The Organization recognizes event revenue as the good or service is transferred to the Organization, generally when the event occurs and room revenue upon the night's stay. The Organization determines that a point in time approach would be the most appropriate revenue recognition.

Pledges and Other Receivables:

Pledges receivable are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises are not recorded as support until the conditions are substantially met. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction has been met or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Other receivables on the statements of financial position are funds receivable from local restaurants and grants receivable from private organizations. These receivables are due in less than one year.

The Organization uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises to give. As of both December 31, 2019 and 2018, the allowance for doubtful accounts was \$1,800 and is included within pledges receivable on the statements of financial position.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note B

Summary of Significant Accounting Policies (Continued)

Investments:

As more fully described in Note E, investments are carried at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investment income and gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations, or by law. Investment income and gains and losses on investments whose use is restricted by explicit donor stipulation, or by law, but whose restrictions expire in the same reporting period as earned, are reported as investment return without donor restrictions.

Investments consist of marketable debt and equity securities and are reported at their fair values in the statements of financial position. All equity and debt securities held by the Organization are considered to be available-for-sale securities. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Property and Equipment:

Property and equipment are stated at cost for purchased assets or fair value on the date of donation for donated assets. The Organization reviews for capitalization all expenditures greater than \$2,000. Assets received by donation generally follow the same capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The useful lives used for depreciation are as follows:

Buildings and improvements	15-30 years
Furniture and equipment	5-20 years

Impairment of Long-Lived Assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. No impairment loss has been recognized during the years ended 2019 and 2018.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note B

Summary of Significant Accounting Policies (Continued)

Functional Expenses:

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses common to several functions are allocated according to estimates developed by management. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort; insurance and depreciation, which are allocated on a weighted average square footage basis; and marketing materials, which are allocated based on utilization.

Program services are the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the Organization exists. General and administrative activities are activities that are not identifiable with a single program or fundraising activity but that are indispensable to the conduct of those activities and to the Organization's existence. Fundraising activities are activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time.

Donated Assets and Services:

Donated assets and services are reflected as contributions in the accompanying statements of activities at their estimated fair values at the date of receipt. No amounts have been reflected in the statements of activities for donated volunteer services because they do not meet the criteria for revenue recognition.

Income Taxes:

The Organization is a charitable organization and qualifies under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization for both federal and state income tax purposes. Accordingly, the Organization has provided for no income taxes in the accompanying financial statements. The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 *Income Taxes*. There were no unrecognized tax benefits or related liabilities at December 31, 2019 or 2018. The Organization is no longer subject to income tax examinations for calendar years prior to 2016.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note C

Pledges Receivable

Pledges receivable at their net realizable value consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Due in one year or less	\$ 100,000	\$ 91,084
One to five years	<u>50,000</u>	<u>45,000</u>
	150,000	136,084
Less: estimated uncollectible amounts	<u>(1,800)</u>	<u>(1,800)</u>
Pledges receivable, net	<u>\$ 148,200</u>	<u>\$ 134,284</u>

Note D

Investments

Investments consisted of the following at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Mutual Funds	\$ 3,983,363	\$ 152,200	\$ 4,135,563
Equity Securities	1,112,364	496,250	1,608,614
Exchange - Traded Funds	229,500	-	229,500
Debt Securities - Corporate	<u>729,333</u>	<u>-</u>	<u>729,333</u>
	<u>\$ 6,054,560</u>	<u>\$ 648,450</u>	<u>\$ 6,703,010</u>

Investments consisted of the following at December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Mutual Funds	\$ 5,222,137	\$ 1,214,905	\$ 6,437,042
Equity Securities	859,866	496,250	1,356,116
Exchange- Traded Funds	179,398	-	179,398
Debt Securities - Corporate	<u>434,360</u>	<u>-</u>	<u>434,360</u>
	<u>\$ 6,695,761</u>	<u>\$ 1,711,155</u>	<u>\$ 8,406,916</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note D

Investments (Continued)

The components of investment return are as follows for the years ended December 31:

	2019	2018
Interest and dividends	\$ 194,915	\$ 172,681
Realized gains	53,624	148,999
Unrealized gains (losses)	456,174	(405,745)
Less: investment expenses	(21,931)	(28,567)
	\$ 682,782	\$ (112,632)

Note E

Fair Value Measurements

The Organization applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The three general valuation techniques that may be used to measure fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note E

Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2019:

Assets measured at fair value on a recurring basis as of December 31, 2019

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 4,031,439	\$ 4,135,563	\$ 4,135,563	\$ -	\$ -
Equity Securities	148,218	229,500	229,500	-	-
Exchange - Traded Funds	1,094,623	1,608,614	1,608,614	-	-
Debt Securities - Corporate	<u>700,562</u>	<u>729,333</u>	<u>-</u>	<u>729,333</u>	<u>-</u>
	<u>\$ 5,974,842</u>	<u>\$ 6,703,010</u>	<u>\$ 5,973,677</u>	<u>\$ 729,333</u>	<u>\$ -</u>

Assets measured at fair value on a non-recurring basis as of December 31, 2019

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable	<u>\$ 150,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 150,000</u>

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2018:

Assets measured at fair value on a recurring basis as of December 31, 2018

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 6,343,916	\$ 6,437,042	\$ 6,437,042	\$ -	\$ -
Equity Securities	1,096,963	1,356,116	1,356,116	-	-
Exchange - Traded Funds	148,845	179,398	179,398	-	-
Debt Securities - Corporate	<u>445,719</u>	<u>434,360</u>	<u>-</u>	<u>434,360</u>	<u>-</u>
	<u>\$ 8,035,443</u>	<u>\$ 8,406,916</u>	<u>\$ 7,972,556</u>	<u>\$ 434,360</u>	<u>\$ -</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note E

Fair Value Measurements (Continued)

Assets measured at fair value on a non-recurring basis as of December 31, 2018

	Fair Value	Level 1	Level 2	Level 3
Pledges receivable	\$ <u>136,084</u>	\$ <u>-</u>	<u>-</u>	\$ <u>136,084</u>

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

Note F

Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Land	\$ 1,948,846	\$ 1,948,846
Buildings and improvements	31,794,376	31,794,377
Furniture and equipment	3,612,847	3,590,686
Construction in progress	<u>162,315</u>	<u>165,065</u>
	37,518,384	37,498,974
Less accumulated depreciation	<u>(10,286,545)</u>	<u>(8,910,320)</u>
	<u>\$ 27,231,839</u>	<u>\$ 28,588,654</u>

Depreciation expense totaled \$1,376,225 and \$1,359,769 for the years ended December 31, 2019 and 2018, respectively.

Note G

Pledge Payable

During 2015, the Organization entered into a grant agreement. Under the terms of the agreement, the Organization received a stock gift of approximately \$1,500,000. Pursuant to the agreement, the Organization was to liquidate the securities and use the proceeds to establish a permanent endowment in the amount of \$114,500 and retain an additional \$12,500 to cover any associated expenses. The remaining amount was pledged to Children's Healthcare of Atlanta (CHOA).

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note G

Pledge Payable (Continued)

Estimated payments to CHOA under the grant agreement outstanding as of December 31, 2019, are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 293,030
2021	<u>302,286</u>
	\$ <u><u>595,316</u></u>

Note H

Endowment Funds

The state of Georgia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in July 2008. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent the explicit donor stipulations to the contrary. Accordingly, the classification of net assets with donor restrictions includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the 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 policies of the Organization

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce a return that meets or exceeds market index, or blended market index selected by the Board of Directors while assuming a moderate level of investment risk (tolerating a maximum loss of 0% to 15% over any one year period).

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note H

Endowment Funds (Continued)

Spending Policy:

The Organization has a policy in which the general rule of appropriating for distribution each year is up to 3% of its endowment fund's average assets over the prior three fiscal years preceding the fiscal year in which the distribution is planned. Spending may be approved for maintenance, specific programs or to contribute to the general operating budget of the charity. There is no minimum requirement for spending from the endowment in any given year. If it is determined that a distribution is not needed or not feasible in any given year, the distribution may be waived for the year. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift and to provide ARMHC with an incremental stream of income to be utilized to supplement other recurring sources of revenue for the charity.

Strategies Employed for Achieving Objectives:

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

The composition and changes in endowment net assets as of December 31, 2019 and 2018, are as follows:

	<u>Quasi Endowment</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ 2,437,435	\$ 637,443	\$ 3,074,878
Investment income	225,428	11,892	237,320
Net depreciation, plus fees	<u>(408,345)</u>	<u>(24,113)</u>	<u>(432,458)</u>
Endowment net assets, December 31, 2018	2,254,518	625,222	2,879,740
Contributions	2,009	-	2,009
Investment income	98,106	4,054	102,160
Net appreciation, less fees	<u>430,814</u>	<u>20,040</u>	<u>450,854</u>
Endowment net assets, December 31, 2019	<u>\$ 2,785,447</u>	<u>\$ 649,316</u>	<u>\$ 3,434,763</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note I

Restricted Net Assets

Net assets designated by the Board of Directors consist of the following as of December 31:

<u>Purpose</u>	<u>2019</u>	<u>2018</u>
Quasi endowment	\$ 2,785,447	\$ 2,254,518
Board-designated facility fund	<u>260,000</u>	<u>260,000</u>
Total	<u>\$ 3,045,447</u>	<u>\$ 2,514,518</u>

Net assets with donor restrictions are comprised of funds the Organization has received subject to donor-imposed purpose restrictions, time restrictions, or in perpetuity consist of the following:

	<u>Restriction</u>			<u>Total</u>
	<u>Purpose</u>	<u>Time</u>	<u>Perpetuity</u>	
Restricted net assets, December 31, 2019,				
Facility Fund	\$ 1,382,167	\$ 20,000	\$ -	\$ 1,402,167
Donor-designated endowment	38,566	-	610,750	649,316
Adopt a Family	-	100,000	-	100,000
Family Room	50,000	25,000	-	75,000
Capital campaign	-	5,000	-	5,000
House dog	<u>3,751</u>	<u>-</u>	<u>-</u>	<u>3,751</u>
Total	<u>\$ 1,474,484</u>	<u>\$ 150,000</u>	<u>\$ 610,750</u>	<u>\$ 2,235,234</u>

	<u>Restriction</u>			<u>Total</u>
	<u>Purpose</u>	<u>Time</u>	<u>Perpetuity</u>	
Restricted net assets, December 31, 2018,				
Facility Fund	\$ 1,411,035	\$ 50,000	\$ -	\$ 1,461,035
Donor-designated endowment	14,472	-	610,750	625,222
Capital campaign	-	34,283	-	34,283
Family Room	25,000	50,000	-	75,000
Care Mobile	6,355	-	-	6,355
House dog	<u>4,420</u>	<u>-</u>	<u>-</u>	<u>4,420</u>
Total	<u>\$ 1,461,282</u>	<u>\$ 134,283</u>	<u>\$ 610,750</u>	<u>\$ 2,206,315</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note J

Required Payments to National Organization

The Organization has a license agreement with the National Organization (Ronald McDonald House Charities) which requires the Organization to remit, on at least a quarterly basis, 25% of all qualifying monetary contributions (net of normal and customary fund raising expenses) to the National Organization until the agreement is cancelled. For the years ended December 31, 2019 and 2018, a total of \$51,601 and \$61,346, respectively, was paid to the National Organization under this agreement.

Note K

Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, respectively, comprise the following:

	2019	2018
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 3,431,078	\$ 1,824,430
Other receivables	691,164	285,277
Investments	3,485,806	4,573,627
Pledges receivable due in less than one year without donor imposed restrictions	50,000	36,084
Total financial assets available for general expenditure within one year	7,658,048	6,719,418
Financial assets that can be made available via Board resolution:		
Quasi endowment	2,785,447	2,254,518
Board-designated facility fund	260,000	260,000
Total financial assets available for general expenditure within one year including those that can be made available via Board resolution	\$ 10,703,495	\$ 9,233,936

In addition to the financial assets available for general expenditure without donor or other restrictions, the Organization also has financial assets in the amount of \$1,474,484 and \$1,461,282 at December 31, 2019 and 2018, respectively, consisting of funds stipulated by the donor for the Family Room, the Care Mobile Program, the House Dog, and facility repairs and maintenance of the two Atlanta Ronald McDonald Houses.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note K

Liquidity and Availability of Resources (Continued)

Liquidity Management

As part of the Organization's liquidity management, its investment policy requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently and with minimal impact on market price. The Organization maintains a policy of structuring its investments to be available as its operating expenditures, liabilities, and other obligations become due.

Investments valued at \$2,785,447 and \$2,254,518 at December 31, 2019 and 2018, respectively, are subject to an annual spending rate of up to 3%, as described in Note H. Although the Organization does not intend to spend from these investment funds outside of amounts appropriated for general expenditures pursuant to the Board's annual budget approval process, these amounts could be made available via Board resolution.

The investments described in the preceding paragraphs are intended to provide long-term financial stability for the Organization with the amount available to appropriate on an annual basis to support operating activities as necessary. The Organization's other financial assets are being accumulated to support management and the Board of Director's strategic focus on the Organization's future growth, including building a new facility and an anticipated increase in programmatic spending associated with expansion of program services.

Note L

Related Parties

During the years ended December 31, 2019 and 2018, the Organization received contributions from board members and other related parties totaling \$82,331 and \$78,752, respectively. Receivables from board members, employees, and other related parties at December 31, 2019 and 2018, totaled \$257,405 and \$16,500, respectively. In addition, companies owned by various board members donated marketing, accounting, and legal services to the Organization during 2019 and 2018 in amounts totaling \$151,586 and \$305,034, respectively.

Note M

Commitments

In 2007, the Organization signed an agreement with Children's Healthcare of Atlanta (CHOA) (whose facilities are served by the Organization's two houses at Gatewood Road and Peachtree Dunwoody Road in Atlanta). Under the terms of the agreement, a portion of the land on which the Peachtree Dunwoody location is housed was gifted to the Organization. If the land ever ceases to be used as a Ronald McDonald Charities location CHOA has an irrevocable right to repurchase the property for the fair market value of the improvements to the land.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note M

Commitments (Continued)

CHOA is recognized as a regional treatment center of excellence and one of the top 10 children's hospitals in the country with nationally recognized programs for cancer, heart, and solid organ transplants. Management believes the demand for lodging and respite facilities will continue to increase. The leadership of the Organization, working with CHOA, has undertaken an analysis of the amount and type of additional space needed to serve current and future families.

Note N

Subsequent Events

On March 27, 2020, Coronavirus Aid, Relief and Economic Act ("the Act") was enacted. The Act provided relief to small business under Paycheck Protection Program ("PPP"). On April 20, 2020, the Organization obtained a PPP loan in the amount of \$372,100, all of which may be forgivable if certain criteria are met. The loan has a fixed interest rate of 1% and matures on April 20, 2022.

The Organization's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events effect the Organization's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

The Organization evaluated subsequent events through August 3, 2020, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to the issuance of this report, that would have a material impact on the financial statements other than the matters listed above.

SUPPLEMENTARY INFORMATION

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
SCHEDULES OF SCHOLARSHIPS GRANTED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
African-American Future Achievers	\$ 9,313	\$ 23,125
Asia Scholarship Program	9,313	23,125
Hacer Program	9,313	23,125
RMHC Atlanta Scholarship Program	<u>9,313</u>	<u>23,125</u>
Total Scholarships Granted	<u>\$ 37,252</u>	<u>\$ 92,500</u>

See independent auditors' report