

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Management's discussion and analysis - unaudited	1
Independent auditors' report	2 - 3
Financial statements:	
Statements of financial position	4 - 5
Statements of activities	6 - 7
Statements of functional expenses	8 - 9
Statements of cash flows	10
Notes to financial statements	11 - 26
Supplementary information:	
Schedules of scholarships granted	28

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2020

Dear Friends of Atlanta Ronald McDonald House Charities:

Thank you for your support of Atlanta RMHC! The year 2020 was like no other. We started using words like COVID-19, pandemic, and the new normal to name just a few. We experienced incredible change in all aspects of our lives. Despite the many challenges, the compassion and tenacity that created this organization 42 years ago, once again allowed us to keep families close to their sick child and the medical care they need. I am most proud of how we enabled families to be physically and emotionally involved in their child's medical care, which results in better outcomes for the entire family. Our Houses remained open every day of 2020. Our Ronald McDonald Care Mobile and Ronald McDonald Family Room both continued to support families, just in different ways. Our Family Room delivered meals to the families at the door of their hospital room. Our Care Mobile expanded its services to provide immunizations to children when the immunization rate dropped to a 30-year low.

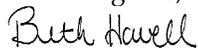
Our Ronald McDonald Houses hosted 1,231 visits from families whose children face life-threatening illnesses or injuries for an average stay of nine nights, allowing them to remain close to each other and the care they need. Volunteers donated approximately 1,000 meals to help support these children and families in addition to donating Wish List items and gifts for our Holiday Workshop. Our Ronald McDonald Care Mobile hosted 1,064 asthma and immunization visits. Our Ronald McDonald Family Room inside Children's at Scottish Rite hosted 26,118 family member visits while their child was undergoing cancer treatment, providing them meals, refreshments and support.

In spite of the many challenges they were facing, our community stepped up to support us and helped us exceed our annual financial goals. Atlanta RMHC received one-time COVID emergency funds totaling more than \$800,000 from community foundations to support our operations during these unprecedented times. Through these donations, we continued to strengthen our financial position while ensuring we are growing our impact. Program investments represented 82% of our total \$5.3 million annual expenses, reflecting our strong commitment to investing in our mission. Our total net assets are valued at \$42 million, with \$26 million invested in property and equipment and \$16 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 fourth consecutive year, Atlanta RMHC earned a 4-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 support these families, 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, 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 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

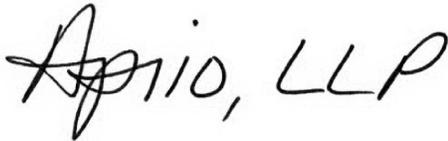
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Ronald McDonald House Charities, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 28 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 "Aprio, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

July 21, 2021

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,142,141	\$ 1,386,800	\$ 7,528,941
Other receivables	1,060,119	-	1,060,119
Pledges receivable, net	250,000	48,200	298,200
Prepaid expenses	81,245	-	81,245
Investments, at fair value	6,661,237	669,626	7,330,863
Property and equipment, net	25,860,942	-	25,860,942
 Total assets	 \$ 40,055,684	 \$ 2,104,626	 \$ 42,160,310
 <u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 209,774	\$ -	\$ 209,774
Deferred revenue	4,000	-	4,000
Pledge payable	302,286	-	302,286
Total liabilities	516,060	-	516,060
 <u>NET ASSETS</u>	 39,539,624	 2,104,626	 41,644,250
Total liabilities and net assets	\$ 40,055,684	\$ 2,104,626	\$ 42,160,310

See independent auditors' report and accompanying notes

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

	Without Donor Restrictions	With Donor Restrictions	Total
<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	41,534	-	41,534
Investments, at fair value	6,054,560	648,450	6,703,010
Property and equipment, net	27,231,839	-	27,231,839
Total assets	\$ 37,926,868	\$ 2,235,234	\$ 40,162,102
 <u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 204,130	\$ -	\$ 204,130
Deferred revenue	6,604	-	6,604
Pledge payable	595,316	-	595,316
Total liabilities	806,050	-	806,050
 <u>NET ASSETS</u>			
Total liabilities and net assets	\$ 37,120,818	\$ 2,235,234	\$ 39,356,052
Total liabilities and net assets	\$ 37,926,868	\$ 2,235,234	\$ 40,162,102

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ <u>5,900,393</u>	\$ <u>61,034</u>	\$ <u>5,961,427</u>
Special events revenue	817,600	-	817,600
Less: direct benefit cost	<u>(194,913)</u>	<u>-</u>	<u>(194,913)</u>
Special events revenue, net	622,687	-	622,687
Paycheck protection program forgiven loan	-	382,100	382,100
Room revenue	26,691	-	26,691
Net assets released from restrictions	<u>594,999</u>	<u>(594,999)</u>	<u>-</u>
Total revenues and other support	<u>7,144,770</u>	<u>(151,865)</u>	<u>6,992,905</u>
<u>EXPENSES</u>			
Program	4,374,359	-	4,374,359
Supporting services:			
General and administrative	354,585	-	354,585
Fundraising	605,471	-	605,471
Unallocated payments to National Organization	<u>33,634</u>	<u>-</u>	<u>33,634</u>
Total expenses	<u>5,368,049</u>	<u>-</u>	<u>5,368,049</u>
Change in net assets from operations	1,776,721	(151,865)	1,624,856
Investment return	<u>642,085</u>	<u>21,257</u>	<u>663,342</u>
Change in net assets	2,418,806	(130,608)	2,288,198
Net assets at beginning of year	<u>37,120,818</u>	<u>2,235,234</u>	<u>39,356,052</u>
Net assets at end of year	<u>\$ 39,539,624</u>	<u>\$ 2,104,626</u>	<u>\$ 41,644,250</u>

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>REVENUE 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 revenue 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>\$ 37,120,818</u>	<u>\$ 2,235,234</u>	<u>\$ 39,356,052</u>

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					General and		Total
	House Operations	Grant Making	Care Mobile	Family Room	Total	Administrative	Fundraising	
Salaries and related expenses	\$ 1,439,207	\$ 23,914	\$ 48,848	\$ 214,013	\$ 1,725,982	\$ 117,593	\$ 523,700	\$ 2,367,275
Direct benefit cost	-	-	-	-	-	-	194,913	194,913
House occupancy	464,053	-	-	-	464,053	-	-	464,053
House maintenance and repair	205,687	-	-	-	205,687	-	-	205,687
Insurance	68,123	303	788	3,486	72,700	3,435	7,362	83,497
Marketing	55,271	-	-	-	55,271	27,707	-	82,978
Scholarship	-	30,300	-	-	30,300	-	-	30,300
Office and supplies	4,190	-	-	897	5,087	41,424	554	47,065
Technology	63,544	-	-	-	63,544	51,392	-	114,936
Bank and transaction fees	-	-	-	-	-	34,272	-	34,272
Professional fees	-	-	-	-	-	59,339	-	59,339
Other	14,815	-	-	788	15,603	14,194	73,855	103,652
Total expenses before depreciation, donated materials and services	2,314,890	54,517	49,636	219,184	2,638,227	349,356	800,384	3,787,967
Depreciation	1,365,668	-	-	-	1,365,668	5,229	-	1,370,897
Donated materials and services	370,464	-	-	-	370,464	-	-	370,464
Total expenses by function	4,051,022	54,517	49,636	219,184	4,374,359	354,585	800,384	5,529,328
Less expenses included with revenues on the statement of activities								
Direct benefit costs	-	-	-	-	-	-	(194,913)	(194,913)
Total functional expenses	<u>\$ 4,051,022</u>	<u>\$ 54,517</u>	<u>\$ 49,636</u>	<u>\$ 219,184</u>	<u>\$ 4,374,359</u>	<u>\$ 354,585</u>	<u>\$ 605,471</u>	<u>\$ 5,334,415</u>

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	17,933	-	-	1,020	18,953	15,970	54,375	89,298
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	473,065	-	-	-	473,065	-	-	473,065
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	-	-	-	-	-	-	(625,852)	(625,852)
Total functional expenses	\$ 4,160,235	\$ 63,353	\$ 56,957	\$ 191,715	\$ 4,472,260	\$ 462,927	\$ 597,599	\$ 5,532,786

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<u>Operating activities:</u>		
Change in net assets	\$ 2,288,198	\$ 434,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,370,897	1,376,225
Realized gain on sales of investments	(172,962)	(53,624)
Unrealized gain on investments	(338,588)	(456,174)
Gain on extinguishment of PPP forgiven loan	(382,100)	-
Payments on pledges received	(100,000)	(86,084)
(Increase) decrease in assets:		
Other receivables	(368,955)	(405,887)
Pledges receivable	(150,001)	(13,917)
Prepaid expenses	(39,711)	28,236
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,644	28,440
Deferred revenue	(2,604)	(56,466)
Pledge payable	(293,030)	(307,274)
Net cash provided by operating activities	1,816,788	488,288
<u>Investing activities:</u>		
Purchase of property and equipment	-	(19,410)
Proceeds from sale of investments	1,437,766	4,917,562
Investment return reinvested and purchase of investments	(1,554,068)	(2,703,859)
Net cash provided by (used in) investing activities	(116,302)	2,194,293
<u>Financing activities:</u>		
Proceeds from PPP forgiven loan	382,100	-
Payments on pledges received	100,000	86,084
Net cash provided by financing activities	482,100	86,084
Net increase in cash and cash equivalents	2,182,586	2,768,665
Cash and cash equivalents at beginning of year	5,346,355	2,577,690
Cash and cash equivalents at end of year	\$ 7,528,941	\$ 5,346,355

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note B

Summary of Significant Accounting Policies (Continued)

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.

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.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note B

Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, 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, 2020 AND 2019

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. 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 2020 and 2019.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 or 2019. The Organization is no longer subject to income tax examinations for calendar years prior to 2017.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note C

Pledges Receivable

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

	<u>2020</u>	<u>2019</u>
Due in one year or less	\$ 300,000	\$ 100,000
One to five years	<u>-</u>	<u>50,000</u>
	300,000	150,000
Less: estimated uncollectible amounts	<u>(1,800)</u>	<u>(1,800)</u>
Pledges receivable, net	<u>\$ 298,200</u>	<u>\$ 148,200</u>

Note D

Investments

Investments consisted of the following at December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Mutual Funds	\$ 4,054,459	\$ 173,376	\$ 4,227,835
Equity Securities	1,703,687	496,250	2,199,937
Exchange - Traded Funds	131,011	-	131,011
Debt Securities - Corporate	<u>772,080</u>	<u>-</u>	<u>772,080</u>
	<u>\$ 6,661,237</u>	<u>\$ 669,626</u>	<u>\$ 7,330,863</u>

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>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note D

Investments (Continued)

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

	2020	2019
Interest and dividends	\$ 181,009	\$ 194,915
Realized gains	172,962	53,624
Unrealized gains	338,588	456,174
Less: investment expenses	(29,217)	(21,931)
	\$ 663,342	\$ 682,782

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, 2020 AND 2019

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, 2020:

Assets measured at fair value on a recurring basis as of December 31, 2020

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 4,141,959	\$ 4,227,835	\$ 4,227,835	\$ -	\$ -
Equity Securities	1,207,804	2,199,937	2,199,937	-	-
Exchange - Traded Funds	72,857	131,011	131,011	-	-
Debt Securities - Corporate	<u>716,447</u>	<u>772,080</u>	<u>-</u>	<u>772,080</u>	<u>-</u>
	<u>\$ 6,139,067</u>	<u>\$ 7,330,863</u>	<u>\$ 6,558,783</u>	<u>\$ 772,080</u>	<u>\$ -</u>
		<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable		<u>\$ 300,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 300,000</u>

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	1,094,623	1,608,614	1,608,614	-	-
Exchange - Traded Funds	148,218	229,500	229,500	-	-
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>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note E

Fair Value Measurements (Continued)

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

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

	2020	2019
Land	\$ 1,948,846	\$ 1,948,846
Buildings and improvements	31,794,376	31,794,376
Furniture and equipment	3,612,847	3,612,847
Construction in progress	<u>162,315</u>	<u>162,315</u>
	37,518,384	37,518,384
Less accumulated depreciation	<u>(11,657,442)</u>	<u>(10,286,545)</u>
	<u>\$ 25,860,942</u>	<u>\$ 27,231,839</u>

Depreciation expense totaled \$1,370,897 and \$1,376,225 for the years ended December 31, 2020 and 2019, 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, 2020 AND 2019

Note G

Pledge Payable (Continued)

Estimated payments to CHOA under the grant agreement outstanding as of December 31, 2020, are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ <u><u>302,286</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, 2020 AND 2019

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, 2020 and 2019, are as follows:

	<u>Quasi Endowment</u>	<u>With Donor Restrictions</u>	<u>Total</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	2,785,447	649,316	3,434,763
Investment income	88,721	4,863	93,584
Net appreciation, less fees	<u>335,719</u>	<u>16,394</u>	<u>352,113</u>
Endowment net assets, December 31, 2020	<u>\$ 3,209,887</u>	<u>\$ 670,573</u>	<u>\$ 3,880,460</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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>2020</u>	<u>2019</u>
Quasi endowment	\$ 3,209,887	\$ 2,785,447
Board-designated facility fund	<u>(260,000)</u>	<u>(260,000)</u>
Total	<u>\$ 2,949,887</u>	<u>\$ 2,525,447</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, 2020,				
Facility Fund	\$ 1,369,494	\$ -	\$ -	\$ 1,369,494
Donor-designated endowment	59,823	-	610,750	670,573
Adopt a Family	-	50,000	-	50,000
Hotel Placement	11,034	-	-	11,034
House dog	<u>3,525</u>	<u>-</u>	<u>-</u>	<u>3,525</u>
Total	<u>\$ 1,443,876</u>	<u>\$ 50,000</u>	<u>\$ 610,750</u>	<u>\$ 2,104,626</u>

	<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
Capital campaign	-	5,000	-	5,000
Family Room	50,000	25,000	-	75,000
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>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, a total of \$33,634 and \$51,601, respectively, was paid to the National Organization under this agreement.

Note K

Paycheck Protection Program Loan

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. In addition, the Organization applied for and received an Economic Injury Disaster Loan ("EIDL") advance of \$10,000 during 2020. The EIDL advance up to \$10,000 is forgivable.

During the year ended December 31, 2020, the Organization applied for forgiveness and received approval by the Small Business Association on November 10, 2020. During the year ended December 31, 2020, the Organization recognized income in the amount of \$372,100 relating to forgiveness of the PPP loan and \$10,000 relating to the EIDL advance in the accompanying statements of activities.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note L

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, 2020 and 2019, respectively, comprise the following:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 7,528,941	\$ 5,346,355
Other receivables	1,060,119	691,164
Pledges receivable	298,200	148,200
Investments	7,330,863	6,703,010
Total financial assets	16,218,123	12,888,729
Less financial assets with donor restriction:		
Donor-imposed purpose restrictions	(1,443,876)	(1,474,484)
Donor-imposed restrictions in perpetuity	(610,750)	(610,750)
Pledges receivable due in more than one year	-	(50,000)
Total financial assets without donor restriction	14,163,497	10,753,495
Less board-designated financial assets:		
Quasi endowment	(3,209,887)	(2,785,447)
Board-designated facility fund	(260,000)	(260,000)
Financial assets available for general expenditure within one year	\$ 10,693,610	\$ 7,708,048

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 \$3,209,887 and \$2,785,447 at December 31, 2020 and 2019, 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.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note M

Related Parties

During the years ended December 31, 2020 and 2019, the Organization received contributions from board members and other related parties totaling \$108,465 and \$82,331, respectively. Receivables from board members, employees, and other related parties at December 31, 2020 and 2019, totaled \$161,219 and \$257,405, respectively. In addition, companies owned by various board members donated marketing, accounting, and legal services to the Organization during 2020 and 2019 in amounts totaling \$106,008 and \$151,586, respectively.

Note N

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.

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 O

Employee Retirement Plans

The Organization sponsors an employee retirement plan known as the Atlanta Ronald McDonald House Charities, Inc. 403(b) Plan. Under the plan, employees may contribute up to the maximum contributions as set periodically by the Internal Revenue Service. The Organization matches employee contributions on a discretionary basis. The employer contributions vest after 3 years of service. Participant contributions are always 100% vested.

Discretionary employer contributions made by the Organization were \$55,793 and \$55,662 for the years ended December 31, 2020 and 2019, respectively.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note P

Current Vulnerability Due to Economic Conditions

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.

Note Q

Subsequent Events

The Organization evaluated subsequent events through July 21, 2021, 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.

SUPPLEMENTARY INFORMATION

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
 SCHEDULES OF SCHOLARSHIPS GRANTED
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
African-American Future Achievers	\$ 7,500	\$ 9,313
Asia Scholarship Program	7,500	9,313
Hacer Program	7,500	9,313
RMHC Atlanta Scholarship Program	<u>7,500</u>	<u>9,313</u>
Total Scholarships Granted	<u>\$ 30,000</u>	<u>\$ 37,252</u>

See independent auditors' report