RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019 AND 2018

RONALD MCDONALD HOUSE CHARITIES OF
NASHVILLE, TENNESSEE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ronald McDonald House Charities of Nashville, Tennessee, Inc. (the "House") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 of material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Nashville, Tennessee, 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.

KraftCPAs PLLC

Nashville, Tennessee
June 29, 2020

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RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 6,818,064	$ 6,803,571
Contributions receivable	157,631	36,743
Investments	3,039,482	2,736,964
Property and equipment, net	7,336,115	6,761,130
TOTAL ASSETS	$ 17,351,292	$ 16,338,408
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 105,802	$ 22,593
Accrued expenses	47,362	45,455
TOTAL LIABILITIES	153,164	68,048
NET ASSETS		
Without donor restrictions	11,385,410	10,534,699
With donor restrictions	5,812,718	5,735,661
TOTAL NET ASSETS	17,198,128	16,270,360
TOTAL LIABILITIES AND NET ASSETS	$ 17,351,292	$ 16,338,408

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

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions, including in-kind contributions of $422,948 and $423,807, respectively	$ 1,686,430	$ 188,331	$ 1,874,761	$ 1,831,791	$ 427,874	$ 2,259,665
Donations and fundraising events of McDonald's Cooperatives and Operators	301,142	-	301,142	238,696	-	238,696
Fundraising events	381,204	-	381,204	316,140	-	316,140
Program revenues	12,235	-	12,235	17,745	-	17,745
Net assets released from restrictions	183,503	(183,503)	-	116,752	(116,752)	-
TOTAL REVENUES AND SUPPORT	2,564,514	4,828	2,569,342	2,521,124	311,122	2,832,246
EXPENSES						
Program services	1,244,937	-	1,244,937	1,187,106	-	1,187,106
Supporting services:						
Management and general	195,663	-	195,663	197,092	-	197,092
Fundraising	558,476	-	558,476	517,122	-	517,122
Cost of direct benefit to donors	47,221	-	47,221	46,675	-	46,675
TOTAL EXPENSES	2,046,297	-	2,046,297	1,947,995	-	1,947,995
CHANGE IN NET ASSETS FROM OPERATIONS	518,217	4,828	523,045	573,129	311,122	884,251
INVESTMENT INCOME, NET	349,201	72,229	421,430	(5,882)	(1,324)	(7,206)
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(16,707)	-	(16,707)	-	-	-
CHANGE IN NET ASSETS	850,711	77,057	927,768	567,247	309,798	877,045
NET ASSETS - BEGINNING OF YEAR	10,534,699	5,735,661	16,270,360	9,967,452	5,425,863	15,393,315
NET ASSETS - END OF YEAR	$ 11,385,410	$ 5,812,718	$ 17,198,128	$ 10,534,699	$ 5,735,661	$ 16,270,360

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

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 927,768	$ 877,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	185,189	141,988
Net realized and unrealized (gains) losses on investments	(223,586)	183,597
Loss on disposal of property and equipment	16,707	-
Contributions for capital improvements	(29,565)	(279,104)
(Increase) decrease in assets:		
Contributions receivable	(120,888)	4,949
Increase (decrease) in liabilities:		
Accounts payable	83,209	(20,790)
Accrued expenses	1,907	(918)
TOTAL ADJUSTMENTS	(87,027)	29,722
NET CASH PROVIDED BY OPERATING ACTIVITIES	840,741	906,767
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(776,881)	(191,288)
Proceeds from sale of investments	306,921	1,488,924
Purchases of investments	(385,853)	(1,140,232)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(855,813)	157,404
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions for capital improvements	29,565	279,104
NET CASH PROVIDED BY FINANCING ACTIVITIES	29,565	279,104
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,493	1,343,275
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,803,571	5,460,296
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,818,064	$ 6,803,571

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

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019						2018					
		Supporting Services						Supporting Services				
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total	Total Expenses	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total	Total Expenses
Salaries	$ 457,955	$ 77,197	$ 46,438	$ -	$ 123,635	$ 581,590	$ 448,554	$ 75,635	$ 45,345	$ -	$ 120,980	$ 569,534
Payroll Taxes, insurance, and retirement	142,931	33,827	14,788	-	48,615	191,546	132,254	35,277	14,400	-	49,677	181,931
Total Salaries and Related Expenses	600,886	111,024	61,226	-	172,250	773,136	580,808	110,912	59,745	-	170,657	751,465
Postage and printing	87,302	2,759	135,358	-	138,117	225,419	80,751	3,257	123,384	-	126,641	207,392
Depreciation	166,878	18,311	-	-	18,311	185,189	127,997	13,991	-	-	13,991	141,988
Special events	-	-	54,907	-	54,907	54,907	-	-	53,213	-	53,213	53,213
Special events - in-kind media	-	-	290,000	-	290,000	290,000	-	-	262,900	-	262,900	262,900
Utilities and telephone	76,768	-	-	-	-	76,768	89,555	4,713	-	-	4,713	94,268
Maintenance	76,233	2,777	-	-	2,777	79,010	56,255	1,918	-	-	1,918	58,173
Miscellaneous	10,018	-	-	-	-	10,018	12,535	233	-	-	233	12,768
Professional fees	4,568	37,738	-	-	37,738	42,306	5,866	37,228	-	-	37,228	43,094
Meetings and newsletter expenses	9,015	6,129	13,329	-	19,458	28,473	8,774	3,511	12,728	-	16,239	25,013
Insurance	29,253	2,427	-	-	2,427	31,680	24,548	2,907	-	-	2,907	27,455
Supplies	21,336	2,331	1,590	-	3,921	25,257	21,664	3,081	1,165	-	4,246	25,910
Bank charges	-	9,524	-	-	9,524	9,524	-	10,494	-	-	10,494	10,494
Recognition	2,373	-	1,807	-	1,807	4,180	5,211	-	2,137	-	2,137	7,348
House supplies	145,626	-	-	-	-	145,626	169,445	-	-	-	-	169,445
Office equipment	14,041	1,759	-	-	1,759	15,800	3,029	250	-	-	250	3,279
Education	640	603	259	-	862	1,502	668	4,316	1,850	-	6,166	6,834
Solicitation permits	-	281	-	-	281	281	-	281	-	-	281	281
Fundraising events - direct donor benefits	-	-	-	47,221	47,221	47,221	-	-	-	46,675	46,675	46,675
TOTAL EXPENSES	$ 1,244,937	$ 195,663	$ 558,476	$ 47,221	$ 801,360	$ 2,046,297	$ 1,187,106	$ 197,092	$ 517,122	$ 46,675	$ 760,889	$ 1,947,995

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Ronald McDonald House Charities of Nashville, Tennessee, Inc (the House) is a Tennessee nonprofit charitable corporation formed in 1987. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the House, represent the core functions of Ronald McDonald House Charities of Nashville, Tennessee, Inc.

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The House helps families stay close to their ill or injured child through the Ronald McDonald House programs located in Nashville, TN, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program in Vanderbilt Children's Hospital serves as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the House to report information regarding its financial position and activities according to the following net asset classifications:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

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 House. These net assets may be used at the discretion of the House's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the House or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions and support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

The House receives capital support from the Middle Tennessee and Southern Kentucky McDonald's Cooperatives, which consist of many operators of McDonald's restaurants in the region. The Cooperatives host various fund-raising campaigns, which benefit the House. These events are typically conducted at the discretion of, and controlled by, the Cooperatives. Proceeds from these events may be restricted. Accordingly, the House receives the net proceeds at the conclusion of such campaigns or events and records these contributions when received.

The House also receives support from donors to sponsor the Family Room at Vanderbilt Children's Hospital. The Family Room is managed by the House and its volunteers. Sponsorship proceeds are restricted for consumable products available in the Family Room. All other contributions are considered to be received for unrestricted use unless specifically restricted by the donor.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The House's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The House has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

In-kind contributions and expenses

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

Additionally, donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No other amounts have been reflected for donated services because no objective basis is available to measure the value of such service. Nevertheless, a large number of volunteers have given significant amounts of their time to the House's programs, fund-raising campaigns and management. Contributions of $422,948 and $423,807 were derived from donated goods and services for the years ended December 31, 2019 and 2018, respectively.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion, no allowance for uncollectable amounts was necessary as of December 31, 2019 and 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition and canister collections

The House receives contributions from collection canisters located at individual McDonald's restaurant locations across Middle Tennessee and Kentucky. These contributions are collected by a third-party vendor on behalf of Ronald McDonald House Charities Global ("Global") and are remitted to Global, net a collection fee. Global withholds 25% of the net collection amount from these contributions and then remits the remainder to the House.

Contributions: Contributions including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

The House is required to make significant estimates and exercise judgment in determining the net contributions receivable. The House reviewed all documentation received to determine the estimated amount to be received in future periods and recognized the related estimated revenues in the Statements of Activities for the years ended December 31, 2019 and 2018. Annually, the House evaluates its assumptions, judgments and estimates that can have a significant impact on its reported contributions receivable based on the most recent information available, and when necessary, adjusts the balance accordingly. It is at least reasonably possible, that this estimate will change within one year of the date of the financial statements due to one or more confirming events and the effect of that change could be material.

Investments

The House carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of McDonald's Corporation Stock and McDonald's Charities Investment Program (McCIP) fixed income and diversified equity accounts and are carried at the quoted market value on the last business day of the reporting period. Investment income (loss) is reported in the period earned as increases (decreases) in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Donor-restricted investment income (loss) is reported as an increase (decrease) in net assets with donor restrictions.

Property and equipment

Property and equipment is recorded at cost at the date of purchase or estimated fair value at the date of gift to the House, less accumulated depreciation, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. When depreciable assets are disposed, the cost and accumulated depreciation are removed from the accounts and any gain (except trade-ins) or loss is included in operations for the period. Gains on trade-ins are applied to reduce the cost of the new acquisition. Depreciation is calculated using the straight-line method over the assets' estimated useful lives as follows:

Buildings and improvements	30 - 40 Years
Office furniture and equipment	5 - 7 Years
Vehicles	5 Years

Impairment of long-lived assets

The House evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The House evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Program and supporting services

The following program and supporting services are included in the accompanying financial statements:

Program services: The 36-bedroom Nashville Ronald McDonald House serves families from across the country and around the world. Since opening in 1991, the House has served over 15,700 families who have come from all 95 counties in Tennessee, 66 counties in Kentucky, 41 other states, 2 U.S. territories and 14 foreign countries. Every year, the House serves approximately 500 families with an average length of stay of more than two weeks and a daily waiting list of 4-7 families. They request a $15 per night donation from families to stay in the House; however, most families cannot afford to pay. The House has never turned a family away because of their inability to pay.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (Contributions)

The Ronald McDonald Family Room, open since 2004, is a day-use room for any family of a child receiving treatment at Monroe Carell Jr. Children's Hospital at Vanderbilt. The Family Room is open from 9am to 9pm, seven days a week and is staffed by caring volunteers and part-time staff members. The Family Room has served more than 433,000 individuals since its opening and averages 1,400 visitors per month.

Supporting services: Management and general expenses relate to the overall direction of the House. Activities include House oversight, business management, recordkeeping, financing, board operations, and community planning and networking activities. Fundraising expenses include the costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials. These costs include staff time, materials and other related expenses. Activities related to obtaining financial support include the various annual fundraising campaigns.

Allocation of functional expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include leased employee-related expense, postage and printing, professional fees, meetings and newsletter expenses, supplies, recognition, office equipment, insurance, and education, which are allocated on the basis of estimates of time and effort, and depreciation, utilities and telephone, maintenance, and miscellaneous, which are allocated on the basis of estimates of the related use of the property.

Income taxes

The House qualifies as a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and files a U.S. Federal Form 990. However, income, if any, from certain activities not directly related to the House's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the House qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the House's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Events occurring after reporting date

The House has evaluated events and transactions that occurred between December 31, 2019 and June 29, 2020, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. The ASU requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The House adopted the new standard effective January 1, 2019, the first day of the House’s fiscal year, using the modified retrospective approach.

As part of the adoption of the ASU, the House did not elect to use any practical expedients as there were no open contracts from prior periods requiring adjustment.

The adoption of this ASU did not have a significant impact on the House’s financial statements. The majority of the House’s revenue arrangements generally consist of a single performance obligation to transfer promised goods. Based on the House’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported amounts as a result of the adoption.

On January 1, 2019 the House adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of the ASU did not materially impact the financial statements and related disclosures.

NOTE 3 - LIQUIDITY

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

Financial assets at year end:	2019	2018
Cash and cash equivalents	$ 6,818,064	$ 6,803,571
Contributions receivable	157,631	36,743
Investments	3,039,482	2,736,964
Total financial assets	10,015,177	9,577,278
Less amounts not available to be used within one year:		
Net assets with donor restrictions	5,812,718	5,735,661
	5,812,718	5,735,661
Financial assets available to meet general expenditures over the next twelve months	$ 4,202,459	$ 3,841,617

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer custodian of the House's securities are covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances, such as fraud or failure of the institution. Coverage is limited to $500,000 per broker/dealer custodian, including up to $250,000 in cash. The SIPC does not insure against market risk.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of bequests as of the years ended December 31:

	2019	2018
Due in less than one year:		
Contributions receivable	$ 110,000	$ -
Canister collection receivable	47,631	36,743
	$ 157,631	$ 36,743

NOTE 6 - INVESTMENTS

Investments consist of the following as of December 31:

	2019	2018
Certificate of deposit (at cost)	$ 500,000	$ 500,000
McDonald's corporate stock	165,058	144,837
Bond mutual funds	1,263,578	1,213,736
Equity mutual funds	1,110,846	878,391
	$ 3,039,482	$ 2,736,964

NOTE 7 - FAIR VALUE MEASUREMENTS

The House classifies assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets measured at fair value on a recurring basis include the following:

Corporate stock: The fair value of corporate stock is determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

Mutual funds: The fair values of mutual fund investments in equity securities and fixed income securities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

There have been no changes in the valuation methodology used at December 31, 2019 and 2018, respectively.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the House believes the valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

The overall investment objective of the House is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The House diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees which oversees the House’s investment program in accordance with established guidelines.

Financial assets measured at fair value on a recurring basis consist of the following as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Investments				
Corporate stock	$ 165,058	$ -	$ -	$ 165,058
Mutual funds				
Bond funds	1,263,578	-	-	1,263,578
Equity funds				
Diversified emerging markets	37,215	-	-	37,215
Large value	236,817	-	-	236,817
Large growth	266,567	-	-	266,567
Small value	90,132	-	-	90,132
Foreign large blend	377,850	-	-	377,850
Mid-cap growth	102,265	-	-	102,265
Total investments at fair value	$ 2,539,482	$ -	$ -	$ 2,539,482

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Corporate stock	$ 144,837	$ -	$ -	$ 144,837
Mutual funds				
Bond funds	1,213,736	-	-	1,213,736
Equity funds				
Diversified emerging markets	34,230	-	-	34,230
Large value	191,315	-	-	191,315
Large growth	201,674	-	-	201,674
Small value	74,815	-	-	74,815
Foreign large blend	292,844	-	-	292,844
Mid-cap growth	83,513	-	-	83,513
Total investments at fair value	$ 2,236,964	$ -	$ -	$ 2,236,964

NOTE 8 - PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 4,848,285	$ 4,848,285
Building and improvements	4,679,003	3,997,303
Office furniture and equipment	362,473	611,616
Vehicles	18,931	18,931
	9,908,692	9,476,135
Less accumulated depreciation	(2,572,577)	(2,715,005)
	$ 7,336,115	$ 6,761,130

NOTE 9 - NET ASSETS

Net assets consist of the following as of December 31:

	2019	2018
Without donor restrictions	$ 11,385,410	$ 10,534,699
Specific purpose:		
Capital expenditures	4,306,695	4,322,936
Various program expenditures	531,401	442,480
Family Room support	118,622	114,245
	4,956,718	4,879,661
Endowments:		
Subject to endowment spending policy and appropriation:		
House operation endowments	856,000	856,000
Total net assets with donor retrictions	5,812,718	5,735,661
	$ 17,198,128	$ 16,270,360

NOTE 10 - ENDOWMENT FUNDS

The House follows accounting principles generally accepted in the United States of America policy, "Not-for-Profit Entities (Topic 958)," which provides guidance on the net asset classification of donor restricted endowment funds for organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The House's endowment consists of two individual funds established by donors to support House operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment designated net asset composition by type of fund as of December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 856,000	$ 856,000
Total funds	$ -	$ 856,000	$ 856,000

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 856,000	$ 856,000
Total funds	$ -	$ 856,000	$ 856,000

Donor restricted endowment funds include $856,000 at December 31, 2019 and 2018, that are required by the donor to be maintained in perpetuity.

NOTE 10 - ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 856,000	$ 856,000
Contributions	-	-	-
Investment income, net	-	72,229	72,229
Amounts appropriated for expenditure	-	(72,229)	(72,229)
Endowment net assets, end of year	$ -	$ 856,000	$ 856,000

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 856,000	$ 856,000
Contributions	-	-	-
Investment loss, net	-	(1,324)	(1,324)
Amounts appropriated for expenditure	-	1,324	1,324
Endowment net assets, end of year	$ -	$ 856,000	$ 856,000

Interpretation of UPMIFA

The Board of Trustees of the House have 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 explicit donor stipulations to the contrary.

NOTE 10 - ENDOWMENT FUNDS (CONTINUED)

Interpretation of UPMIFA (continued)

As a result of this interpretation, the House classifies as net assets with donor restrictions (a) the original value of donor restricted gifts donated to the Endowment, (b) the original value of subsequently restricted gifts donated to the Endowment, and (c) accumulation of the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the House considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the House
- The investment policies of the House

The House has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the House must hold in perpetuity. Under this policy, as approved by the Finance Committee of the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the inflation index. The House expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the House relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The House targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The House has a general spending policy of periodically appropriating all appreciation and earnings of the endowment funds through the calendar year-end to provide funds for the general operations of the House, which aligns with the spending policy set forth by the House’s initial endowment donor. The House expects the current spending policy to allow its endowment to remain constant and provide a secondary source of funds for the operating expenses of the House. This is consistent with the House’s objective to maintain the purchasing power of the endowment assets held in perpetuity.

NOTE 10 - ENDOWMENT FUNDS (CONTINUED)

Interpretation of UPMIFA (continued)

Additionally, an endowment specific spending policy was instituted by one donor, in which, the donor desires for an annual distribution to be made from the endowment for the purpose of supporting the cost of families housed at the House regardless of their ability to pay. The donor desires for the amount of the annual distribution to be equal to five percent of the average fair market value of the endowment (determined as the close of the immediately preceding calendar year) and for such distribution to be made from the income and other earnings of the endowment only. Although the donor's desire that the endowment annually distribute a set percentage of the annual fair market value of the endowment and that such distribution be made from only the income and other earnings of the endowment and not from the corpus of the endowment shall be taken into consideration, the Corporate Board of Directors of the House ultimately shall not be obligated to follow such desire of the donor and may set the amount of the annual distribution in accordance with the general endowment spending policy of the House notwithstanding whether such amount so set may come in part or in whole from the corpus of the endowment.

NOTE 11 - EMPLOYEE BENEFIT PLAN

The House sponsors a Section 403(b) retirement plan. The plan allows employees to make voluntary contributions, subject to certain limitations under the Internal Revenue Code. The plan provides for discretionary employer contributions that are determined annually by the Board of Directors. The House expensed $21,895 and $19,451 related to discretionary contributions to the plan for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the House operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the House, to date, management is continuing to evaluate the evolving situation and will implement appropriate counter measures as needed.

NOTE 12 - SUBSEQUENT EVENTS (CONTINUED)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act provides an economic relief package to many businesses in the U.S. as a direct response to the adverse impacts of COVID-19. Section 1102 of CARES Act establishes the Paycheck Protection Program ("PPP"), which is implemented by the Small Business Administration, and is intended to provide small businesses (generally those with 500 or less employees) with funds to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The funds are available in the form of a loan which is fully forgivable if at least 60% of the funds are used for payroll costs. Forgiveness of the loans may be reduced if employment and/or payroll costs decreased in the eight weeks following receipt of funds. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 60 months. On April 30, 2020, the House received $127,765 from a PPP loan and it is management's intention to have the loan forgiven based upon preliminary estimation of the forgiveness calculation. As of the date these financial statements were available to be issued, the amount of loan forgiveness has not been determined.