

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.  
AUGUSTA, GA**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.  
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## Report of Independent Auditor

To the Finance Committee  
Ronald McDonald House Charities of Augusta, Inc.  
Augusta, Georgia

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

### 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Augusta, Georgia  
August 20, 2020

**RONALD MCDONALD CHARITIES OF AUGUSTA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 338,700	\$ 316,921
Contributions Receivable, Net	56,150	90,618
Prepaid Expenses	17,015	17,500
Total Current Assets	<u>411,865</u>	<u>425,039</u>
<b>NONCURRENT ASSETS</b>		
Investments Held by the Community Foundation	1,011,813	889,904
Investments	215,315	179,915
Property and Equipment, Net	4,866,034	5,003,317
Total Noncurrent Assets	<u>6,093,162</u>	<u>6,073,136</u>
Total Assets	<u>\$ 6,505,027</u>	<u>\$ 6,498,175</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 23,753	\$ 34,709
Note Payable	50,000	50,000
Total Current Liabilities	<u>73,753</u>	<u>84,709</u>
<b>NONCURRENT LIABILITIES</b>		
Note Payable	516,275	686,275
Total Noncurrent Liabilities	<u>516,275</u>	<u>686,275</u>
Total Liabilities	590,028	770,984
<b>NET ASSETS</b>		
Without Donor Restrictions	5,293,947	4,992,200
With Donor Restrictions	621,052	734,991
Total Net Assets	<u>5,914,999</u>	<u>5,727,191</u>
Total Liabilities and Net Assets	<u>\$ 6,505,027</u>	<u>\$ 6,498,175</u>

See accompanying Notes to Financial Statements

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 509,555	\$ 38,749	\$ 548,304	\$ 428,216	\$ 28,521	\$ 456,737
Special Events Revenue	367,494	-	367,494	320,874	-	320,874
Room Donations/Fees	27,400	-	27,400	28,824	-	28,824
Net Assets Released from Restrictions	152,688	(152,688)	-	342,672	(342,672)	-
Total Revenues and Other Support	<u>1,057,137</u>	<u>(113,939)</u>	<u>943,198</u>	<u>1,120,586</u>	<u>(314,151)</u>	<u>806,435</u>
<b>EXPENSES</b>						
Program Services	640,135	-	640,135	654,308	-	654,308
Cost of Direct Benefits to Donors	68,789	-	68,789	100,750	-	100,750
Management and General Administration	102,325	-	102,325	100,584	-	100,584
Fundraising	125,450	-	125,450	116,739	-	116,739
Total Expenses	<u>936,699</u>	<u>-</u>	<u>936,699</u>	<u>972,381</u>	<u>-</u>	<u>972,381</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	120,438	(113,939)	6,499	148,205	(314,151)	(165,946)
<b>INVESTMENT RETURN, NET</b>	<u>181,309</u>	<u>-</u>	<u>181,309</u>	<u>(51,828)</u>	<u>-</u>	<u>(51,828)</u>
<b>CHANGE IN NET ASSETS</b>	301,747	(113,939)	187,808	96,377	(314,151)	(217,774)
Net Assets - Beginning of Year	<u>4,992,200</u>	<u>734,991</u>	<u>5,727,191</u>	<u>4,895,823</u>	<u>1,049,142</u>	<u>5,944,965</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,293,947</u>	<u>\$ 621,052</u>	<u>\$ 5,914,999</u>	<u>\$ 4,992,200</u>	<u>\$ 734,991</u>	<u>\$ 5,727,191</u>

See accompanying Notes to Financial Statements

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services		Management and General	Fundraising	Cost of Direct Benefits to Donors		Total
	Ronald McDonald House	Total					
Salaries	\$ 304,589	\$ 304,589	\$ 60,918	\$ 40,612	\$ -	\$ -	\$ 406,119
Employee Benefits	21,532	21,532	4,306	2,871	-	-	28,709
Payroll Taxes	23,799	23,799	4,760	3,173	-	-	31,732
Total Salaries and Related Expenses	349,920	349,920	69,984	46,656	-	-	466,560
Depreciation	157,655	157,655	-	-	-	-	157,655
Direct Mail	-	-	-	72,433	-	-	72,433
Family Support Services and Supplies	18,870	18,870	-	3,863	-	-	22,733
Insurance	19,466	19,466	-	-	-	-	19,466
Interest	26,213	26,213	-	-	-	-	26,213
Maintenance and Repairs	14,361	14,361	-	-	-	-	14,361
Meetings, Education, and Training	6,093	6,093	-	-	-	-	6,093
Office Supplies	2,498	2,498	-	2,498	-	-	4,996
Postage and Courier	-	-	1,254	-	-	-	1,254
Printing and Publishing	1,230	1,230	1,230	-	-	-	2,460
Professional Fees	-	-	25,752	-	-	-	25,752
Technology	14,456	14,456	-	-	-	-	14,456
Travel, Meals, and Entertainment	283	283	-	-	68,789	-	69,072
Utilities	25,437	25,437	-	-	-	-	25,437
Volunteer Resources and Recognition	377	377	-	-	-	-	377
Other Expenses	3,276	3,276	4,105	-	-	-	7,381
Total Expenses	\$ 640,135	\$ 640,135	\$ 102,325	\$ 125,450	\$ 68,789	\$ -	\$ 936,699

See accompanying Notes to Financial Statements

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services		Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Total				
Salaries	\$ 305,910	\$ 305,910	\$ 61,182	\$ 40,788	\$ -	\$ 407,880
Employee Benefits	27,735	27,735	5,547	3,698	-	36,980
Payroll Taxes	23,546	23,546	4,709	3,140	-	31,395
Total Salaries and Related Expenses	357,191	357,191	71,438	47,626	-	476,255
Depreciation	156,986	156,986	-	-	-	156,986
Direct Mail	-	-	-	64,268	-	64,268
Family Support Services and Supplies	7,581	7,581	-	3,853	-	11,434
Insurance	20,360	20,360	-	-	-	20,360
Interest	25,776	25,776	-	-	-	25,776
Maintenance and Repairs	30,988	30,988	-	-	-	30,988
Meetings, Education, and Training	11,473	11,473	-	-	-	11,473
Office Supplies	993	993	-	992	-	1,985
Postage and Courier	-	-	1,203	-	-	1,203
Printing and Publishing	1,261	1,261	1,261	-	-	2,522
Professional Fees	-	-	23,617	-	-	23,617
Rent	-	-	-	-	96	96
Technology	7,187	7,187	-	-	-	7,187
Travel, Meals, and Entertainment	427	427	-	-	100,654	101,081
Utilities	28,354	28,354	-	-	-	28,354
Volunteer Resources and Recognition	446	446	-	-	-	446
Other Expenses	5,285	5,285	3,065	-	-	8,350
Total Expenses	\$ 654,308	\$ 654,308	\$ 100,584	\$ 116,739	\$ 100,750	\$ 972,381

See accompanying Notes to Financial Statements

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 187,808	\$ (217,774)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	157,655	156,986
Net Realized and Unrealized (Gains) Losses on Investments	(179,015)	53,042
Interest Income Reinvested	(9,918)	(9,203)
Investment Management Fees	7,624	7,989
(Increase) Decrease in Assets:		
Contributions Receivable	34,468	232,590
Prepaid Expenses	485	(1,500)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(10,956)	4,184
Net Cash Provided by Operating Activities	188,151	226,314
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	-	(1,000)
Proceeds from Sale of Investments	24,000	44,000
Purchases of Property and Equipment	(20,372)	-
Proceeds from Sale of Property and Equipment	-	-
Net Cash Provided (Used) by Investing Activities	3,628	43,000
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Notes Payable	(170,000)	(330,000)
Net Cash Provided (Used) by Financing Activities	(170,000)	(330,000)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	21,779	(60,686)
Cash and Cash Equivalents - Beginning of Year	316,921	377,607
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 338,700	\$ 316,921
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 26,213	\$ 25,776

See accompanying Notes to Financial Statements



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Augusta, Inc. (the "Organization") is a Georgia nonprofit charitable corporation formed in 1984. 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, Ronald McDonald House Charities, Inc. 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 and are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities:

**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 Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Augusta, Georgia, 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.

**Basis of Presentation**

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

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**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 Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions Receivable**

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

**Investments**

The Organization 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.

The Organization maintains master investment accounts for its endowments with donor restrictions and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

**Investments Held by The Community Foundation**

The Organization has funds invested that are held and managed by The Community Foundation for the Central Savannah River Area (the "Foundation"). The Foundation was incorporated in 1995 as a publicly supported 501(c)(3) nonprofit organization with its stated purpose to receive and accept property to be administered exclusively for charitable purposes. All funds held and managed by the Foundation are pooled together for investment management purposes. Participation in the Foundation is voluntary.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	30 - 40 Years
Office Furniture and Equipment	5 - 7 Years
Vehicles	5 Years

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

The Organization 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 Organization 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.

**Donated Assets, Property and Equipment, and Services**

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

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable and, therefore, are excluded from the financial statements.

**Net Assets**

The Organization's net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for capital purchases or capital related debt payments.

**With Donor Restrictions**

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Functional Expenses**

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

**Liquidity**

The Organization's financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 240,148	\$ 173,044
Contributions Receivable, Net	56,150	20,754
	<u>\$ 296,298</u>	<u>\$ 193,798</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of management and general activities and fundraising to be general expenditures.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization 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).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

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

	2019	2018
Amounts due in:		
Less than One Year	\$ 56,150	\$ 90,618
Total	56,150	90,618
Less: Unamortized Discount	-	-
Net Contributions Receivable	\$ 56,150	\$ 90,618

As all amounts are due in less than one year, no discount rate was considered necessary.

**NOTE 3 FAIR VALUE MEASUREMENTS**

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

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

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

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

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

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair values of assets measured on a recurring basis as of December 31, 2019 are as follows:

	Fair Value	Fair Value Measurements at December 31, 2019 Using		
		Level 1	Level 2	Level 3
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 67,900	\$ 67,900	\$ -	\$ -
International Equity	53,645	53,645	-	-
Asset Allocation	36,741	36,741	-	-
Bonds	43,373	43,373	-	-
Exchange-Traded Funds:				
Domestic Equity	2,286	2,286	-	-
Money Market Accounts	11,370	11,370	-	-
Total Investments per the Statements of Financial Position	215,315	215,315	-	-
Investments Held by The Community Foundation	1,011,813	-	1,011,813	-
Total Investments	<u>\$ 1,227,128</u>	<u>\$ 215,315</u>	<u>\$ 1,011,813</u>	<u>\$ -</u>

The fair values of assets measured on a recurring basis as of December 31, 2018 are as follows:

	Fair Value	Fair Value Measurements at December 31, 2018 Using		
		Level 1	Level 2	Level 3
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 55,114	\$ 55,114	\$ -	\$ -
International Equity	40,461	40,461	-	-
Asset Allocation	29,815	29,815	-	-
Bonds	40,968	40,968	-	-
Exchange-Traded Funds:				
Domestic Equity	1,788	1,788	-	-
Money Market Accounts	11,769	11,769	-	-
Total Investments per the Statements of Financial Position	179,915	179,915	-	-
Investments Held by The Community Foundation	889,904	-	889,904	-
Total Investments	<u>\$ 1,069,819</u>	<u>\$ 179,915</u>	<u>\$ 889,904</u>	<u>\$ -</u>

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

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

**Investments**

Overall Investment Objective

The overall investment objective of the Organization 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 Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors which oversees the Organization's investment program in accordance with established guidelines.

The fair value of the investments held by The Community Foundation is measured at net asset value. The Foundation is not registered with the Securities and Exchange Commission as an investment company and, therefore, there is no readily determinable market value for investments held by the pool. These amounts are managed and maintained by the Foundation on a pooled "mutual fund" accounting basis with total earnings, investment expenses, appreciation and depreciation, whether realized or unrealized, being allocated to the Organization on a pro rata basis. Additional information on the Foundation's investment pool is disclosed in the audited financial statements of the Foundation for the Central Savannah River Area, which can be requested from the Foundation's management at 1450 Greene Street, Suite 228, Augusta, GA 30901.

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

	2019	2018
Interest and Dividend Income	\$ 9,918	\$ 9,203
Realized and Unrealized Gains (Losses), Net	179,015	(53,042)
Investment expenses	(7,624)	(7,989)
Investment Return, Net	<u>\$ 181,309</u>	<u>\$ (51,828)</u>

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

**NOTE 4 PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Buildings and Improvements	\$ 5,442,356	\$ 5,431,513
Office Furniture and Equipment	187,678	222,381
Total, at Cost	5,630,034	5,653,894
Accumulated Depreciation	(764,000)	(650,577)
Total Property and Equipment	<u>\$ 4,866,034</u>	<u>\$ 5,003,317</u>

**NOTE 5 NOTE PAYABLE**

Note payable consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable to a bank, with interest payable monthly at 4.15%, and annual principal payments of \$50,000 beginning on October 28, 2019. A final payment of remaining principal and interest is due on October 28, 2021. The note is secured by pledged receivables.	\$ 566,275	\$ 736,275
Total	<u>\$ 566,275</u>	<u>\$ 736,275</u>

Principal maturities of note payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 50,000
2021	516,275
Total	<u>\$ 566,275</u>



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**NOTE 6 ENDOWMENT FUNDS**

The Organization's endowment consists of one individual fund established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to 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 the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (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 Organization's investment policies

*Investment Return Objectives, Risk Parameters, and Strategies* – The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

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**NOTE 6 ENDOWMENT FUNDS (CONTINUED)**

*Spending Policy* – Spending is approved by the Board of Directors and in accordance with the donor agreement. The spending policy of the Organization utilizes a total return policy that incorporates a designated percentage of the value of the corpus that will be available for expenditure annually. Expendable funds are determined on the basis of a total return policy and do not depend upon income generated through interest or dividends. The funds available for distribution during any one fiscal year are limited to a percentage of the three-year rolling average of the market value of the corpus, net of fees, with measures taken at the end of each of the 12 preceding quarters. The percentage of the three-year average value of the corpus made available for expenditures is limited to a maximum of 5%. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Endowment net assets, beginning of year	\$ 368,654	\$ 521,250	\$ 889,904
Investment return, net	145,909	-	145,909
Appropriation of endowment assets for expenditure	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Endowment net assets, end of year	<u>\$ 490,563</u>	<u>\$ 521,250</u>	<u>\$ 1,011,813</u>
Board-designated endowment funds	\$ 490,563	\$ -	\$ 490,563
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	<u>-</u>	<u>521,250</u>	<u>521,250</u>
Total funds	<u>\$ 490,563</u>	<u>\$ 521,250</u>	<u>\$ 1,011,813</u>

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**NOTE 6 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Endowment net assets, beginning of year	\$ 450,328	\$ 521,250	\$ 971,578
Investment return, net	(38,674)	-	(38,674)
Contributions	1,000	-	1,000
Appropriation of endowment assets for expenditure	<u>(44,000)</u>	<u>-</u>	<u>(44,000)</u>
Endowment net assets, end of year	<u>\$ 368,654</u>	<u>\$ 521,250</u>	<u>\$ 889,904</u>
Board-designated endowment funds	\$ 368,654	\$ -	\$ 368,654
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	<u>-</u>	<u>521,250</u>	<u>521,250</u>
Total funds	<u>\$ 368,654</u>	<u>\$ 521,250</u>	<u>\$ 889,904</u>

*Fund Deficiencies* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

**RONALD MCDONALD HOUSE CHARITIES OF AUGUSTA, INC.**  
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**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2019	2018
<b>Subject to expenditure for specific purpose:</b>		
Program Activities:		
Ronald McDonald House - house operations and debt service	\$ 99,802	\$ 213,741
	99,802	213,741
Other Restrictions:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	521,250	521,250
Total – Other Restrictions	521,250	521,250
Total net assets with donor restrictions	\$ 621,052	\$ 734,991

**NOTE 8 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

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

	2019	2018
Purpose restrictions accomplished:		
Ronald McDonald House - house operations and debt service	\$ 152,688	\$ 342,672
Total restrictions released	\$ 152,688	\$ 342,672

**NOTE 9 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes as of December 31:

	2019	2018
Board-Designated Endowment	\$ 490,563	\$ 368,654
Total	\$ 490,563	\$ 368,654

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**NOTE 10 TAX-DEFERRED ANNUITY PLAN**

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes 2% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$7,736 and \$9,733 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 11 TRANSACTIONS WITH RELATED ENTITIES**

Ronald McDonald House Charities, Inc. is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding, and reporting.

Ronald McDonald House Charities, Inc. ("RMHC Global"), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing, and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2019 and 2018, the Organization received \$41,282 and \$59,138, respectively, from these revenue streams.

During the years ended December 31, 2019 and 2018, the Organization had note payable with a financial institution of which a board member is a key employee. The terms of the note payable are described in Note 5.

**NOTE 12 CONCENTRATIONS**

As of December 31, 2019, contributions receivable from a single donor totaled \$54,900, which represents 98% of net contributions receivable. As of December 31, 2018, contributions receivable from two donors totaled \$62,500, which represents 69% of net contributions receivable.

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**NOTE 13 SUBSEQUENT EVENTS**

In response to the worldwide spread of coronavirus (“COVID-19”), management of the Organization has implemented a number of practices designed to protect the safety and well-being of its employees and house guests including adoption of the applicable portions of the President’s Coronavirus Guidelines for America (the “Guidelines”). Adoption of the Guidelines has resulted in, among other things, a significant number of the Organization’s personnel working remotely as well as a renewed emphasis in employee communications with respect to office hygiene and social distancing for those employees whose responsibilities require them to be physically present at the office.

While the Organization’s operations were impacted, the extent to which COVID-19 may impact the Organization’s future operations will depend upon future developments which are highly uncertain and cannot be predicted at this time. In response to this uncertainty, the Organization secured financing through the Payroll Protection Program of the CARES Act totaling \$90,910. Management is continuously monitoring the Organization’s financial performance and related cash position and liquidity and developing and implementing plans designed to maintain the Organization’s financial position should the breadth and duration of the business disruptions related to COVID-19, as well as its impact on the U.S. economy and business confidence, continue for an extended period of time.

Management evaluated subsequent events through August 20, 2020, the date the financial statements were available to be issued. There were no material subsequent events, other than those disclosed above, that required recognition or additional disclosure in the financial statements.

**NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE**

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The Organization adopted this standard during the year ended December 31, 2019, and has adjusted the presentation of the statements accordingly. The update had no impact on prior year or current year net assets.

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**NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS**

**Revenue from Contracts with Customers**

In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one or two methods. The standard will be effective for the Organization for the year ending December 31, 2020. Early adoption is permitted. Management is evaluating the impact of the amended revenue recognition guidance on the Organization's financial statements.

**Leases**

In February 2016, FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.