

**RONALD MCDONALD HOUSE
CHARITIES® OF JACKSONVILLE, INC.**

FINANCIAL STATEMENTS

December 31, 2019 and 2018



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Ronald McDonald House Charities of Jacksonville, Inc.
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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Jacksonville, 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.

Caru, Riggs & Ingram, L.L.C.

Jacksonville, Florida
August 27, 2020

Ronald McDonald House Charities of Jacksonville, Inc.
Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 930,625	\$ 795,491
Contributions and other receivables	66,527	54,082
Pledges receivable, net	46,636	141,713
Prepaid expenses and other assets	30,652	24,714
Investments, at fair value	7,451,399	4,652,801
Property and equipment, net	16,331,433	17,087,793
Total assets	\$ 24,857,272	\$ 22,756,594
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 65,201	\$ 113,790
Deferred revenue	100,000	4,587
Bank line of credit	-	268,701
Capital lease obligation	859	4,183
Total liabilities	166,060	391,261
Net assets		
Without donor restrictions	22,327,727	20,219,017
With donor restrictions	2,363,485	2,146,316
Total net assets	24,691,212	22,365,333
Total liabilities and net assets	\$ 24,857,272	\$ 22,756,594

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

Ronald McDonald House Charities of Jacksonville, Inc.
Statement of Activities

<i>Year Ended December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions and grants	\$ 3,604,785	\$ 30,000	\$ 3,634,785
Capital campaign contributions	3,328	-	3,328
Room contributions	143,176	-	143,176
In-kind contributions	172,981	-	172,981
Gross revenues from special events	819,599	-	819,599
Less costs of direct benefits to donors	(252,532)	-	(252,532)
Net revenues from special events	567,067	-	567,067
Investment income, net	93,244	48,294	141,538
Net realized investment losses	(1,256)	(2,571)	(3,827)
Net unrealized investment gains	491,436	283,235	774,671
Other income	2,469	-	2,469
Total revenues and other support before net assets released from restrictions	5,077,230	358,958	5,436,188
Net assets released from restrictions -- satisfaction of donor restrictions	141,789	(141,789)	-
Total revenues and other support	5,219,019	217,169	5,436,188
Expenses			
Program services	2,341,280	-	2,341,280
Supporting services			
Management and general	301,907	-	301,907
Fundraising	467,122	-	467,122
Total supporting services	769,029	-	769,029
Total expenses	3,110,309	-	3,110,309
Change in net assets	2,108,710	217,169	2,325,879
Net assets, beginning of year	20,219,017	2,146,316	22,365,333
Net assets, end of year	\$ 22,327,727	\$ 2,363,485	\$ 24,691,212

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

Ronald McDonald House Charities of Jacksonville, Inc.
Statement of Activities

<i>Year Ended December 31, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions and grants	\$ 1,262,661	\$ -	\$ 1,262,661
Capital campaign contributions	31,148	-	31,148
Room contributions	133,828	-	133,828
In-kind contributions	154,260	-	154,260
Gross revenues from special events	712,007	-	712,007
Less costs of direct benefits to donors	(243,769)	-	(243,769)
Net revenues from special events	468,238	-	468,238
Investment income, net	64,693	41,523	106,216
Net realized investment gains	341,215	96,948	438,163
Net unrealized investment losses	(597,532)	(278,937)	(876,469)
Other income	3,914	-	3,914
Total revenues and other support before net assets released from restrictions	1,862,425	(140,466)	1,721,959
Net assets released from restrictions -- satisfaction of donor restrictions	176,969	(176,969)	-
Total revenues and other support	2,039,394	(317,435)	1,721,959
Expenses			
Program services	2,304,044	-	2,304,044
Supporting services			
Management and general	328,713	-	328,713
Fundraising	442,922	-	442,922
Total supporting services	771,635	-	771,635
Total expenses	3,075,679	-	3,075,679
Change in net assets	(1,036,285)	(317,435)	(1,353,720)
Net assets, beginning of year	21,255,302	2,463,751	23,719,053
Net assets, end of year	\$ 20,219,017	\$ 2,146,316	\$ 22,365,333

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

**Ronald McDonald House Charities of Jacksonville, Inc.
Statement of Functional Expenses**

Year Ended December 31, 2019	Program Services	Management and General	Fundraising	Total Functional Expenses	Costs of Direct Benefits to Donors	Total Expenses
Salaries and benefits	\$ 969,983	232,174	\$ 322,385	\$ 1,524,542	-	\$ 1,524,542
Program supplies and expense	205,005	86	96	205,187	-	205,187
Professional fees	1,800	8,808	32,566	43,174	-	43,174
Contract services	98,728	-	-	98,728	-	98,728
Printing and publications	5,136	1,727	8,819	15,682	-	15,682
Office supplies and expense	5,640	7,802	2,315	15,757	-	15,757
Postage and shipping	463	390	2,637	3,490	-	3,490
Maintenance and repairs	25,013	-	-	25,013	-	25,013
Dues and subscriptions	524	2,513	1,994	5,031	-	5,031
Telephone	26,958	996	600	28,554	-	28,554
Computer and information technology	21,662	11,219	15,644	48,525	-	48,525
Occupancy	124,848	1,266	1,266	127,380	-	127,380
Travel and lodging	3,477	8,051	3,720	15,248	-	15,248
Meetings, training and seminars	2,091	7,828	1,094	11,013	-	11,013
Depreciation	753,110	7,685	7,685	768,480	-	768,480
Insurance	83,949	1,749	1,749	87,447	-	87,447
Fundraising expenses - special events	685	858	48,437	49,980	252,532	252,532
Fundraising expenses - indirect	-	8,171	-	8,171	-	8,171
Interest	-	176	15,765	17,063	-	17,063
Bank service fees	1,122	306	350	1,020	-	1,020
Taxes and licenses - other	364	102	-	10,824	-	10,824
Miscellaneous	10,722	-	-	-	-	-
Total expenses including costs of direct benefits to donors	2,341,280	301,907	467,122	3,110,309	252,532	3,362,841
Less cost of direct benefits to donors netted against special event revenues on the statement of activities	-	-	-	-	(252,532)	(252,532)
Total expenses	\$ 2,341,280	\$ 301,907	\$ 467,122	\$ 3,110,309	\$ -	\$ 3,110,309

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

**Ronald McDonald House Charities of Jacksonville, Inc.
Statement of Functional Expenses**

Year Ended December 31, 2018	Program Services	Management and General	Fundraising	Total Functional Expenses	Costs of Direct Benefits to Donors	Total Expenses
Salaries and benefits	\$ 924,444	\$ 219,365	\$ 296,133	\$ 1,439,942	\$ -	\$ 1,439,942
Program supplies and expense	189,348	1,036	153	190,537	-	190,537
Professional fees	9,346	7,608	27,945	44,899	-	44,899
Contract services	99,721	-	-	99,721	-	99,721
Printing and publications	7,304	1,461	5,844	14,609	-	14,609
Office supplies and expense	7,209	3,848	1,820	12,877	-	12,877
Postage and shipping	595	976	4,027	5,598	-	5,598
Maintenance and repairs	28,290	64	-	28,354	-	28,354
Dues and subscriptions	583	4,891	2,365	7,839	-	7,839
Telephone	26,153	1,076	600	27,829	-	27,829
Computer and information technology	20,298	20,439	35,665	76,402	-	76,402
Occupancy	121,985	1,243	1,243	124,471	-	124,471
Travel and lodging	2,276	11,865	2,906	17,047	-	17,047
Meetings, training and seminars	1,694	10,203	3,220	15,117	-	15,117
Depreciation	765,760	7,814	7,814	781,388	-	781,388
Insurance	91,463	1,905	1,905	95,273	-	95,273
Fundraising expenses - special events	-	-	-	-	243,769	243,769
Fundraising expenses - indirect	56	452	40,422	40,930	-	40,930
Interest	339	33,767	73	34,179	-	34,179
Bank service fees	1,335	50	10,376	11,761	-	11,761
Taxes and licenses - other	703	351	361	1,415	-	1,415
Miscellaneous	5,142	299	50	5,491	-	5,491
Total expenses including costs of direct benefits to donors	2,304,044	328,713	442,922	3,075,679	243,769	3,319,448
Less cost of direct benefits to donors netted against special event revenues on the statement of activities	-	-	-	-	(243,769)	(243,769)
Total expenses	\$ 2,304,044	\$ 328,713	\$ 442,922	\$ 3,075,679	\$ -	\$ 3,075,679

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

Ronald McDonald House Charities of Jacksonville, Inc.
Statements of Cash Flows

<i>For the years Ended December 31,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,325,879	\$ (1,353,720)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	768,480	781,388
Decrease in provision for uncollectible pledges	-	(20,000)
Donated securities	(25,236)	(58,123)
Proceeds from sale of donated securities	24,933	57,853
Donated property and equipment	(3,000)	(5,140)
Net realized and unrealized (gains) losses on investments	(770,844)	438,306
Changes in operating assets and liabilities		
Contributions and other receivables	(12,445)	(17,445)
Pledges receivable, net	95,077	625,260
Prepaid expenses and other assets	(5,938)	(6,359)
Accounts payable and accrued expenses	(48,589)	(118,741)
Deferred revenue	95,413	(55,413)
Net cash provided by operating activities	2,443,730	267,866
Investing activities		
Acquisition of property and equipment	(9,120)	(22,392)
Proceeds from sale of investments	280,098	5,256,273
Purchase of investments	(2,307,549)	(4,276,363)
Net cash (used for) provided by investing activities	(2,036,571)	957,518
Financing activities		
Payments on borrowings under bank line of credit	(268,701)	(1,429,324)
Payments on capital lease obligation	(3,324)	(3,062)
Net cash used for financing activities	(272,025)	(1,432,386)
Net change in cash and cash equivalents	135,134	(207,002)
Cash and cash equivalents at beginning of year	795,491	1,002,493
Cash and cash equivalents at end of year	\$ 930,625	\$ 795,491

Supplemental disclosure of cash flow information: See Note 17.

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

Ronald McDonald House Charities of Jacksonville, Inc.

Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Ronald McDonald House Charities® of Jacksonville, Inc. (the “Organization”) is a nonprofit corporation established to support the health and well-being of children by providing lodging and other services for critically ill, chronically ill and seriously injured children and their families. The Organization is licensed by McDonald’s Corporation as an independent chapter of Ronald McDonald House Charities®, Inc.

The Organization operates a Ronald McDonald House® (the “House”) in Jacksonville, Florida which provides lodging and other support services to families who have children with serious illnesses or injuries admitted to Jacksonville area hospitals. The Organization also operates a Ronald McDonald Family Room® at Wolfson Children’s Hospital, which is volunteer-staffed and provides a place of respite for families visiting their critically ill child.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements 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). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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. Estimates that are particularly susceptible to significant change in the near term are related to allowances for uncollectible unconditional promises to give, useful life and depreciation method of property and equipment, fair value of investments, discount on unconditional promises to give and the allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Other Receivables

Contributions and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contributions and other receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the receipt of payment. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. At December 31, 2019 and 2018, there was no allowance for contributions and other receivables as management considers all collectible.

Pledges Receivable

Pledges receivable and unconditional promises to give are recognized as revenue when the donor commits the gift or pledge. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. 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 using a credit risk adjusted discount rate of return of 3.75% for both December 31, 2019 and 2018.

An allowance for uncollectible pledges is provided when management determines the receivable will not be collected based on experience and other circumstances. At December 31, 2019 and 2018, an allowance for uncollectible pledges of \$5,117 and \$20,000 respectively, was recorded.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Realized gains and losses on disposition of investments are determined by comparison to specific cost acquisition to proceeds at the time of disposal. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Buildings and improvements	7 - 39 years
Furniture, fixtures and equipment	3 - 10 years
Transportation equipment	5 years
Construction in progress	Not depreciated

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No events or circumstances were identified during December 31, 2019 and 2018 that would cause an impairment loss.

Deferred Revenue

Revenues received in advance related to fundraising events or program services that could be returned to the donor should the funding not be spent in accordance with the requirements are recorded as deferred revenue. The revenue is recognized as earned in the period which the event takes place or the program service funding requirements are met.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated a portion of the net assets without donor restrictions to support the organization's mission and to provide an operating reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. It is the Organization's policy to sell donated securities immediately upon receipt.

Donated Services

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 have to be purchased by the Organization. Volunteers also provide fundraising and House program activities throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Ronald McDonald House Charities of Jacksonville, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Expenses not charged to a specific program or supporting function require allocation on a reasonable basis that is consistently applied as follows: depreciation, insurance, occupancy (including utilities), and communications expense (telephone and cable), are allocated on an estimated square footage basis. Office equipment expense, including interest on equipment leases, certain office supplies, general postage and printing, certain professional fees, and information technology are allocated based on full-time equivalents or estimated program and support functions benefiting from the expenditures. Salaries and wages, payroll taxes and employee benefits are allocated on the basis of estimates of time and effort.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income could result from rent, administration of self-insurance activities, and commissions.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019 and 2018, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Organization believes it is no longer subject to income tax examinations for years prior to 2017.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation related to liquidity disclosures in Note 3.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, August 27, 2020. See Note 18 for relevant disclosures.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 3: LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization receives contributions restricted by donors, and considers contributions restricted for programs, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization maintains financial assets, consisting of cash and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are reallocated if necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various investments. In addition, the Organization maintains a board-designated fund that allows for annual spending of income and appreciation approved by the board. Distributions are made annually from donor-restricted perpetual endowment funds based on the endowment spending policy (See Note 9).

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 930,625	\$ 795,491
Contributions and other receivables	66,527	54,082
Pledges receivable, due in less than one year	38,500	114,920
Investments	7,451,399	4,652,801
Total financial assets	8,487,051	5,617,294
Less amounts not available to be used within one year:		
Board designated funds	3,567,914	3,006,485
Donor- restricted perpetual endowment	1,764,406	1,646,316
Total financial assets not available to be used within one year	5,332,320	4,652,801
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 3,154,731	 \$ 964,493

As more fully described in Note 7, the Organization also had a committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

In addition, although the Organization does not intend to spend from its board-designated fund, other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts from its board-designated fund could be made available if necessary.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 4: PLEDGES RECEIVABLE

Pledges receivable consist of the following:

<i>December 31,</i>	2019	2018
Due in less than one year	\$ 38,500	\$ 114,920
Due in one to five years	13,750	49,000
Total restricted pledges	52,250	163,920
Less fair value adjustments:		
Allowance for uncollectible pledges	(5,117)	(20,000)
Discount to present value	(497)	(2,207)
Pledges receivable, net	\$ 46,636	\$ 141,713

Approximately \$14,800 in bad debts was written off during the year ended December 31, 2019, and no bad debts were written off during the year ended December 31, 2018. Pledges receivable with due dates extending beyond one year have been discounted at an annual rate of 3.75% for both years ended December 31, 2019 and 2018.

Note 5: INVESTMENTS

Investments in marketable securities consist of the following:

<i>December 31, 2019</i>	Cost	Market Value
Money market funds	\$ 2,324,735	\$ 2,324,735
Mutual funds	4,359,390	4,837,655
Equities	71,042	135,356
Corporate bonds	65,139	67,589
U.S. government securities	84,122	86,064
Total investments in marketable securities	\$ 6,904,428	\$ 7,451,399
<i>December 31, 2018</i>	Cost	Market Value
Money market funds	\$ 186,792	\$ 186,792
Mutual funds	4,436,617	4,174,561
Equities	63,604	100,362
Corporate bonds	110,381	107,970
U.S. government securities	84,148	83,116
Total investments in marketable securities	\$ 4,881,542	\$ 4,652,801

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 5: INVESTMENTS (continued)

The Organization's investment income is summarized as follows:

<i>Year Ended December 31,</i>	2019	2018
Interest and dividend income, net of investment fees	\$ 141,538	\$ 106,216
Net realized (losses) gains	(3,827)	438,163
Net unrealized gains (losses)	774,671	(876,469)
Net investment income (loss)	\$ 912,382	\$ (332,090)

Investment fees totaled \$40,171 and \$54,627 for the years ended December 31, 2019 and 2018, respectively.

Note 6: PROPERTY AND EQUIPMENT

Property and equipment- net consist of the following:

<i>December 31,</i>	2019	2018
Land	\$ 1,576,142	\$ 1,576,142
Buildings and improvements	18,485,771	18,484,024
Furniture, fixtures and equipment	1,696,370	1,685,997
Transportation equipment	25,734	25,734
	21,784,017	21,771,897
Less accumulated depreciation	(5,452,584)	(4,684,104)
Total property and equipment	16,331,433	17,087,793
Less restricted land	(450,000)	(450,000)
Total unrestricted property and equipment	\$ 15,881,433	\$ 16,637,793

Depreciation expense was \$768,480 and 781,388 for the years ended December 31, 2019 and 2018, respectively.

The Organization began a capital campaign in 2014 to expand and renovate the House facilities. The expansion was substantially completed in 2016. No additional renovations were completed or capitalized during the year ending December 31, 2019. Renovations to the existing facility were completed during the year ended December 31, 2018 with \$123,684 capitalized during the year ended December 31, 2018.

See Note 8 for details on the restricted land.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 7: BANK LINE OF CREDIT

The Organization secured the following financing with a bank as follows:

- **Facility 1:** \$3 million non-revolving line of credit to refinance the previous bank loan of \$1.6 million and to provide funding for the remaining House expansion and renovation expenditures. Interest is payable monthly at a variable rate based on the 30-day LIBOR index rate, and the principal balance is due at maturity on April 30, 2021. The maximum loan amount was reduced to \$2.5 million effective December 31, 2018, and remains at that amount until maturity. There was no outstanding balance at December 31, 2019 and \$268,701 was outstanding at December 31, 2018. Interest expense incurred on the note totaled \$7,949 and \$33,695 for the years ended December 31, 2019 and 2018, respectively.
- **Facility 2:** \$500,000 revolving line of credit to provide funding for general operating purposes. Interest is payable monthly at a variable rate based on the 30-day LIBOR index rate, with the principal balance due at maturity on April 30, 2019, with a two-year extension option. This option was not exercised and there has been no extension. No amounts have been borrowed under this loan through the date of this report.

The lines of credit were secured by a letter agreement not to encumber the House campus with additional debt, a first assignment of the Organization's current and future capital campaign pledges receivable, and a first assignment of the capital campaign collection account held with the bank. The Organization had to maintain its primary depository relationship with the bank and a minimum of \$3 million in unrestricted liquidity (cash and investments). The Bank closed its local Jacksonville branch in May 2019, so the depository account moved to a local bank.

Note 8: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>December 31</i>	2019	2018
Undesignated	\$ 18,789,813	\$ 17,212,532
Board designated		
House and program operations	3,567,914	3,006,485
Total net assets without donor restrictions	\$ 22,357,727	\$ 20,219,017

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 8: NET ASSETS (continued)

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2019	2018
Purpose restricted		
Future event	\$ 30,000	\$ 50,000
Beneficial use of land	450,000	450,000
Total purpose restricted	480,000	500,000
Subject to the Organization's spending policy and appropriation		
Accumulated gain (loss)	119,079	(118,090)
Restricted in perpetuity		
Original donor restricted gift amount and amount required to be maintained by donor	1,764,406	1,764,406
Total restricted in perpetuity	1,883,485	1,646,316
Total net assets with donor restrictions	\$ 2,363,485	\$ 2,146,316

Net assets with donor restrictions are reclassified to net assets without donor restrictions when the time restrictions expires or the funds are utilized for the restricted purpose.

Net assets with donor restrictions that are perpetual in nature consist of endowment contributions to be held in perpetuity. Funds include the Children's Legacy Fund and the Kroc Endowment Fund. Contributions to these funds were recorded at fair market value at the time of receipt, \$1,231,574 and \$532,832, respectively. Income from the funds is intended to support House program expenditures and are distributed in accordance with the Organization's endowment spending policy.

The Organization received land with donor restrictions that are perpetual in nature that was recorded at its fair market value at the date of contribution. The land is part of the property on which the facility is built and is donor restricted in perpetuity to be used as the site for the Ronald McDonald House facility. In accordance with the terms of the donor agreement, ownership of the land will revert back to the donor if the land is used for any other purpose and it may not be sold.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 9: ENDOWMENT FUND

The Organization's endowment consists of two individual funds established to support House program expenditures. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has a written investment policy to which it closely adheres. The Organization engages professional investment advisors to handle the investment of endowed and other funds. Additionally, a Finance Committee (Finance Committee) of qualified individuals meets regularly to review investment performance and strategies.

Absent explicit donor stipulations to the contrary, the Finance Committee of the Organization has interpreted the State of Florida's Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, 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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies determined and recommended by the Finance Committee, and 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, alternative investments and money market funds. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 3% over the inflation rate 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.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 9: ENDOWMENT FUND (continued)

Spending Policy. The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through September 30. In no case will the distribution exceed 5% of, nor be less than 3% of, the fair value of endowment assets as of September 30 of the previous year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at an average rate as indicated in the previous paragraph, less the annual distribution. 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.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by the donors or by law (underwater endowments). The Organization has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. The fund was not underwater for the year ended December 31, 2019 and the fund was underwater in the amount of \$118,090 for the year ended December 31, 2018. The fair value of the fund at years ended December 31, 2019 and 2018 was \$1,883,485 and \$1,646,316 respectively. The original funds amount restricted in perpetuity is \$1,764,406 for both years ended December 31, 2019 and 2018.

Endowment net asset composition by type of fund is as follows:

<i>Year Ended December 31,</i>	2019	2018
Donor-restricted endowment net assets in perpetuity	\$ 1,764,406	\$ 1,764,406
Accumulated surplus (deficit) on donor-restricted endowment net assets available for expenditure	119,079	(118,090)
Total donor-restricted endowment net assets	\$ 1,883,485	\$ 1,646,316

Changes in endowment net assets follow:

<i>Year Ended December 31,</i>	2019	2018
Endowment net assets, beginning of year	\$ 1,646,316	\$ 1,898,751
Investment income	62,409	59,189
Net appreciation (depreciation) on investments	280,664	(181,989)
Investment management fees	(14,115)	(17,666)
Amounts appropriated for expenditures	(91,789)	(111,969)
Endowment net assets, end of year	\$ 1,883,485	\$ 1,646,316

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 10: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specific (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.

The asset or liability'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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Equities: Valued at the closing price reported on the active market on which the individual equity securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Corporate and municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 10: FAIR VALUE MEASUREMENTS (continued)

U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Alternative funds and master limited partnership funds: Valued using pricing models or other valuation methodologies maximizing the use of observable inputs.

Real estate investment trusts: Valued at the daily closing price as reported by the real estate investment trust (REIT). These REIT's are required to publish their daily net asset value (NAV) which is the price at which units can be traded at the measurement date.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are 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 different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized as follows:

<i>December 31, 2019</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,324,735	\$ -	\$ -	\$ 2,324,735
Mutual funds:				
Domestic equity funds	2,084,416	-	-	2,084,416
International equity funds	609,546	-	-	609,546
Domestic bond funds	1,268,495	-	-	1,268,495
International bond funds	322,197	-	-	322,197
Alternative and managed futures funds	128,032	-	151,064	279,096
Real estate funds	273,905	-	-	273,905
Total mutual funds	4,686,591	-	151,064	4,837,655
Equities:				
Domestic equities	117,476	-	-	117,476
International equities	17,880	-	-	17,880
Total equities	135,356	-	-	135,356
Fixed income:				
Corporate bonds	67,589	-	-	67,589
U.S. government securities	86,064	-	-	86,064
Total fixed income	153,653	-	-	153,653
Total investments	\$ 7,300,335	\$ -	\$ 151,064	\$ 7,451,399

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 10: FAIR VALUE MEASUREMENTS (continued)

<i>December 31, 2018</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 186,792	\$ -	\$ -	\$ 186,792
Mutual funds:				
Domestic equity funds	1,628,634	-	-	1,628,634
International equity funds	500,790	-	-	500,790
Domestic bond funds	1,161,152	-	-	1,161,152
International bond funds	403,927	-	-	403,927
Alternative and managed futures funds	109,284	-	135,803	245,087
Real estate funds	233,410	-	-	233,410
Master limited partnership funds	1,561	-	-	1,561
Total mutual funds	4,038,758	-	135,803	4,174,561
Equities:				
Domestic equities	88,736	-	-	88,736
International equities	11,626	-	-	11,626
Total equities	100,362	-	-	100,362
Fixed income:				
Corporate bonds	107,970	-	-	107,970
U.S. government securities	83,116	-	-	83,116
Total fixed income	191,086	-	-	191,086
Total investments	\$ 4,516,998	\$ -	\$ 135,803	\$ 4,652,801

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2019 and 2018, there were no significant transfers in or out of Levels 1, 2 or 3.

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to Financial Statements

Note 10: FAIR VALUE MEASUREMENTS (continued)

Changes in Fair Value of Level 3 Assets and Related Gains and Losses

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets:

<i>Year Ended December 31,</i>	2019	2018
Fair value, beginning of year	\$ 135,803	\$ 122,611
Level 3 investments purchased	7,460	-
Unrealized gains	7,801	13,192
Fair value, end of year	\$ 151,064	\$ 135,803

Note 11: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash with a financial institution in excess of the FDIC limit of \$250,000 by \$680,426 and \$385,654 at December 31, 2019 and 2018, respectively.

The Organization's credit risk is inherent principally in its investments. Adverse economic conditions either domestically or internationally may result in a reduction of the investments' carrying amount. Market risk of the Organization's investment portfolio is monitored through ongoing review of asset allocations and evaluation by independent investment advisers.

Note 12: RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan (the Plan) covering all eligible employees who have completed one year of service and are at least 21 years of age. The Organization matches 50% of the amount contributed by the employee, up to a maximum of 6% of the employee's gross wages. Employees become 20% vested in the Organization's contribution for each year of service, up to five years. For the years ended December 31, 2019 and 2018, the Organization's contributions to the Plan totaled \$17,314 and \$17,404, respectively.

Ronald McDonald House Charities of Jacksonville, Inc.
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Note 13: DONATED MATERIALS, PROPERTY AND SERVICES

The estimated fair market value of donated materials, property and services included in the financial statements are as follows:

<i>Year Ended December 31,</i>	2019	2018
Fundraising services and expenses	\$ 65,528	\$ 44,509
House program supplies and expenses	140,572	129,767
Property and equipment donations	3,000	5,140
Professional services	9,000	9,000
Other management and general	5,930	3,566
Total donated materials, property and services	\$ 224,030	\$ 191,982

Note 14: SPECIAL EVENTS ACTIVITIES

Special events activities, including donated revenues and expenses (Note 13), consist of the following:

<i>Year Ended December 31,</i>	2019	2018
Revenues		
McGala	\$ 479,589	\$ 413,871
Golf Tournament	203,611	210,509
Steins & Vines	-	20,089
Light Up the House 5k	136,399	67,538
Total revenues	819,599	712,007
Expenses		
Total direct expenses	(252,532)	(243,769)
Net special events activities	\$ 567,067	\$ 468,238

Note 15: COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA ENDOWMENTS

The Community Foundation for Northeast Florida, Inc. (the Foundation), a non-profit charitable foundation, previously received donations totaling \$690,775 in the Organization's name. Earnings from these funds are to be used for the benefit and support of the Organization. Amounts available for granting and received by the Organization from the Foundation for the years ended December 31, 2019 and 2018 totaled \$34,055 and \$33,276, respectively.

Ronald McDonald House Charities of Jacksonville, Inc. Notes to Financial Statements

Note 16: RONALD MCDONALD FAMILY ROOM®

Expenses in salaries for the coordination of volunteers related to the Ronald McDonald Family Room® licensed ancillary program operations (Note 1) include \$14,750 and \$15,050 for the years ended December 31, 2019 and 2018, respectively.

Note 17: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash Investing and Financing Activities

There was no construction during the year ended December 31, 2019. Construction in progress costs totaling \$122,449 related to the expansion of the House which was completed during the year ended December 31, 2018, were reclassified to property and equipment.

Supplemental Cash Flow Disclosure

Cash paid in interest totaled \$8,171 and \$34,179 for the years ended December 31, 2019 and 2018, respectively.

Note 18: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2019 through August 27, 2020, the date the Organization's financial statements were available to be issued.

In March 2020, the *World Health Organization* made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The Organization temporarily closed the Ronald McDonald House in March 2020 in response to the recommendations of government and health officials. A phased reopening, including the implementation of strict protocols to provide as safe an environment as possible, began in June 2020. Families are once again staying at the House so their children can be treated by local pediatric healthcare providers. Occupancy is increasing as the Organization moves through the phases of the formal written reopening plan. Generous donors have continued to support the Organization. The Organization also received a PPP loan under the CARES Act in April 2020. With this support, the availability of reserve funds and cost-cutting measures, the Organization expects to continue to operate as planned within the constraints resulting from the pandemic.