

**RONALD MCDONALD HOUSE  
CHARITIES OF ARKOMA, INC.  
AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**



**RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.**  
**DECEMBER 31, 2020 AND 2019**

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## **Independent Auditors' Report**

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To the Board of Directors  
Ronald McDonald House Charities of Arkoma, Inc.  
Springdale, Arkansas

We have audited the accompanying financial statements of Ronald McDonald House Charities of Arkoma, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements 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 Arkoma, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report On Prior Year Financial Statements**

The financial statements of Ronald McDonald House Charities of Arkoma, Inc.'s as of December 31, 2019 were audited by another auditor whose report dated September 8, 2020, expressed an unmodified opinion on those statements. Additionally, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**July 6, 2021**

***FINANCIAL STATEMENTS***

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,052,511	\$ 52,889
Capital campaign pledges receivable	943,736	-
Other pledges receivable	43,525	62,000
Investments	1,117,392	1,827,940
Prepaid and other current assets	1,600	1,600
Equipment and furniture	296,644	287,888
House and family rooms	1,859,074	1,859,074
Construction in progress	149,886	2,565
Accumulated depreciation	(786,647)	(655,751)
<b>Total Assets</b>	<b>\$ 4,677,721</b>	<b>\$ 3,438,205</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,150	\$ 9,493
Accrued payroll and related liabilities	39,862	33,484
Other accrued liabilities	-	1,500
Paycheck Protection Program loan	128,000	-
<b>Total Liabilities</b>	<b>174,012</b>	<b>44,477</b>
<b>Net Assets</b>		
Without donor restrictions	2,322,100	2,105,833
With donor restrictions	2,181,609	1,287,895
<b>Total Net Assets</b>	<b>4,503,709</b>	<b>3,393,728</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,677,721</b>	<b>\$ 3,438,205</b>

See accompanying notes to financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENTS OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<b>Revenues and Other Support</b>				
Contributions and grants	\$ 791,710	\$ 1,268,003	\$ 2,059,713	\$ 909,628
In-kind contributions	412,292	-	412,292	524,766
Proceeds of auctions and fundraising events, excluding contributions	192,438	91,970	284,408	538,994
Interest and dividend income, net of fees	19,003	-	19,003	22,955
Realized gains/(loss) on investments	15,704	-	15,704	46,335
Unrealized gains/(loss) on investments	34,470	-	34,470	170,715
Other income	197	-	197	1,518
Net assets released from restrictions	466,259	(466,259)	-	-
<b>Total Revenues and Other Support</b>	<b>1,932,073</b>	<b>893,714</b>	<b>2,825,787</b>	<b>2,214,911</b>
<b>Expenses</b>				
Program Services	1,185,020	-	1,185,020	1,088,375
Management and General	112,298	-	112,298	117,757
Fundraising	418,488	-	418,488	663,728
<b>Total Expenses</b>	<b>1,715,806</b>	<b>-</b>	<b>1,715,806</b>	<b>1,869,860</b>
Change in Net Assets	216,267	893,714	1,109,981	345,051
Net Assets, Beginning of Year	2,105,833	1,287,895	3,393,728	3,048,677
<b>Net Assets, End of Year</b>	<b>\$ 2,322,100</b>	<b>\$ 2,181,609</b>	<b>\$ 4,503,709</b>	<b>\$ 3,393,728</b>

See accompanying notes to financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Program	Management & General	Fund- raising	Total	
				2020	2019
<b>Expenses</b>					
Advertising and promotions	\$ 15,610	\$ 1,243	\$ 18,771	\$ 35,624	\$ 26,847
Automobile mileage	5,730	246	4,241	10,217	11,634
Bank and credit card fees	458	1,873	5,836	8,167	16,180
Board expenses	-	128	-	128	914
Care mobile support	80,000	-	-	80,000	47,887
Depreciation	129,222	1,674	-	130,896	137,380
Dues & subscriptions	757	2,860	3,600	7,217	5,387
Employee benefits	13,600	3,432	13,133	30,165	20,699
Employee training and seminars	2,431	1,692	545	4,668	16,576
Events	4,697	-	68,868	73,565	181,268
Grants & gifts	4,901	3,122	1,380	9,403	12,859
In-kind expense	235,612	-	109,220	344,832	436,511
Insurance	6,559	6,559	6,559	19,677	25,145
Other expenses	1,380	238	1,906	3,524	2,801
Payroll Taxes	40,081	2,875	9,087	52,043	48,002
Postage and delivery	892	24	3,650	4,566	2,581
Printing and reproduction	1,424	319	5,302	7,045	7,289
Professional fees	4,248	30,424	424	35,096	40,679
Rent	12,090	8,854	8,937	29,881	22,865
Repairs and maintenance	4,948	917	-	5,865	8,812
Salaries and wages	509,710	36,565	115,562	661,837	618,076
Share a meal expense	80,177	-	816	80,993	99,570
Supplies	19,363	957	226	20,546	3,479
Technology	5,508	5,290	3,644	14,442	15,082
Travel	555	260	1,438	2,253	9,390
True sense expense	-	-	31,731	31,731	39,649
Utilities	5,067	2,746	3,612	11,425	12,298
<b>Total Expenses</b>	<b>\$ 1,185,020</b>	<b>\$ 112,298</b>	<b>\$ 418,488</b>	<b>\$ 1,715,806</b>	<b>\$ 1,869,860</b>

See accompanying notes to financial statements.



# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,109,981	\$ 345,051
Noncash items:		
Depreciation	130,896	137,380
Unrealized (gains)/losses on investments	(34,470)	(170,715)
Realized (gains)/losses on investments	(15,704)	(46,335)
Changes in:		
(Increase) decrease in pledges receivable	18,475	(920)
(Increase) decrease in pledges receivable	(943,736)	-
(Increase) decrease in prepaid and other current assets	-	1,921
Increase (decrease) in accounts payable	(3,343)	(19,461)
Increase (decrease) in accrued payroll and related liabilities	6,378	26,385
Increase (decrease) in other accrued expenses	(1,500)	500
<b>Net Cash Provided By Operating Activities</b>	<b>266,977</b>	<b>273,806</b>
<b>Cash Flows From Investing Activities</b>		
Acquisition of fixed assets	(156,077)	(36,784)
Investment distribution	1,145,000	265,000
Purchase and reinvestment of investment earnings	(384,278)	(522,954)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>604,645</b>	<b>(294,738)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from paycheck protection program	128,000	-
<b>Net Cash Provided By Financing Activities</b>	<b>128,000</b>	<b>-</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>999,622</b>	<b>(20,932)</b>
Cash and Cash Equivalents, Beginning of Year	52,889	73,821
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,052,511</b>	<b>\$ 52,889</b>

See accompanying notes to financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ronald McDonald House Charities of Arkoma, Inc. (RMHCA or the Organization) was organized on April 2, 1999, as a nonprofit, charitable corporation to maintain and operate one or more facilities in Arkansas and/or Oklahoma to provide temporary housing for seriously ill children and their families while the children are receiving treatment at a nearby hospital, owning, operating or maintaining one or more mobile units, the purpose of which is to create, find and support programs that directly improve the health and well-being of children in and around Arkansas and/or Oklahoma, and making grants to other organizations exempt under section 501(c)(3) for the benefit of children and their families in and around the area. The majority of the organization's revenue is derived from contributions and grants from the general public.

RMHCA is an affiliate of Ronald McDonald House Charities, Inc. (RMHC-Global), an Illinois not for profit corporation, and a licensee of McDonald's Corporation with respect to the use of the name "Ronald McDonald House Charities" and other trademarks, names, and copyrights.

RMHCA maintains and operates two Ronald McDonald Family Rooms, each with four overnight sleep rooms located inside St. Edward Mercy Medical Center, Fort Smith, Arkansas and Mercy Hospital Northwest Arkansas, Rogers, Arkansas. RMHCA also maintains and operates a six bedroom Ronald McDonald House at the Washington Regional Medical Center in Fayetteville, Arkansas. In addition, RMHCA provides support to a Ronald McDonald Care Mobile owned by RMHC-Global and operated (in RMHCA's service area) by Arkansas Children's Hospital, providing dental care to children who might not otherwise have access to adequate dental care.

#### 1. Summary of Significant Accounting Policies

##### a. Recently Issued Accounting Standards

The following new accounting standards became effective during the Organization's fiscal year. The Organization early implemented ASU's 2014-09, 2016-01, and 2018-08 during its fiscal year ended December 31, 2019.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this guidance is that an entity should recognize revenue to depict the transfer or promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. This ASU requires entities to make new judgments and estimates and provide expanded disclosures about revenues. Implementation of this standard did not have an impact on the financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### a. Recently Issued Accounting Standards (continued)

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*. This ASU requires entities to measure most investments at fair value with changes in fair value recognized through net income, as well additional financial statement presentation and disclosure requirements. Implementation of this standard did not have an impact on the financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Guidance for Contributions Received and Contributions Made*. This ASU establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or contributions with or without conditions. Implementation of this standard did not have an impact on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. This ASU amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. Implementation of this standard did not have an impact on the financial statements.

#### b. Prior-year Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended December 31, 2019 from which the summarized information was derived.

#### c. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

#### d. Financial Statement Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### d. Financial Statement Presentation (continued)

*Net assets with donor restrictions* - these net assets result from contributions or grant awards of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires either with the passage of time or by action of the Organization.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

#### e. Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

#### f. Pledges Receivable

Pledges, or promises to give, are recognized at fair market value as revenues in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional pledges are recognized when the conditions on which they depend are met. Promises to give are stated at the amounts the Organization expects to receive.

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged to management and general expense. Subsequent recoveries of amounts previously written off are recognized as revenues. Management believes that all receivable balances are collectible at December 31, 2020.

#### g. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### h. Investments

Investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or market value. Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in net assets without donor restrictions. Other investment income, gains and losses are reflected in the statements of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

#### i. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions 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.

#### j. Fixed Assets and Depreciation

The Organization records purchases of property and equipment at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost and related accumulated depreciation of retired or disposed assets are removed from the accounts, and any resulting gain or loss is recognized in the statement of activities. Expenditures for maintenance, repairs and renewals or relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Equipment and furniture	5-7
Ronald McDonald Houses and Family Rooms	27.5

It is the Organization's policy to capitalize all asset purchases greater than \$500 while expensing all asset purchases less than \$500.

#### k. Compensated Absences

Employees earn paid time off in varying amounts based upon length of service with the Organization. Based upon their anniversary date of hire, employees cannot carryforward unused hours from year to year. The Organization had \$11,749 and \$13,686 accrued for compensated absences at December 31, 2020 and 2019, respectively.

# **RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

### **1. Summary of Significant Accounting Policies (continued)**

#### **l. Revenue Recognition**

Conditional contributions and grants are those that contain a barrier that must be overcome before the Organization is entitled to the assets transferred and a right of return of assets transferred or a right of release of the donor's obligation to transfer assets exists. Conditional contribution and grant revenue is recognized when all barriers have been overcome. All other contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### **m. Donated Services**

According to accounting principles generally accepted in the United States of America, contributed services should be recognized in the financial statements if the services create or enhance nonfinancial assets, or meet all of the following criteria: (1) require special skills; (2) providers possess the skills; and (3) would be purchased if not donated. The Organization receives a significant amount of donated services in connection with its program and management and general activities. Those services do not meet the criteria for recognition and, accordingly, are not reflected in the financial statements.

#### **n. Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, personnel and overhead costs have been allocated among the programs and supporting activities benefited based upon management's best estimate of time and usage estimates.

#### **o. Advertising and Promotions**

The Organization follows the policy of charging advertising and promotions to expense as incurred.

#### **p. Functional Expenses**

The costs of providing the various programs and other activities have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Certain personnel and overhead costs have been allocated among the programs and supporting activities benefited based upon management's best estimate of time incurred by personnel and usage estimates.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

### 2. Pledges Receivable

In December 2019, the Organization started a capital campaign for the new Ronald McDonald House in Fort Smith. The new house is estimated to cost approximately \$3.4 million and estimated completion is Fall of 2021.

Estimated collections on pledges receivable are as follows:

<b>As of December 31, 2020</b>	
Less than one year	\$ 907,247
One to five years	36,489
<b>Total pledges receivable</b>	<b>\$ 943,736</b>

Other pledges receivable represent donor promises to pay contributions to the Organization and are measured at net realizable value. Estimated collections on pledges receivable are as follows:

<b>As of December 31,</b>	<b>2020</b>	<b>2019</b>
Less than one year	\$ 23,525	\$ 42,000
More than five years	20,000	20,000
<b>Total</b>	<b>\$ 43,525</b>	<b>\$ 62,000</b>

The \$20,000 pledge receivable due in more than five years is a donor bequest, and the actual receivable date is unknown.

Total pledges receivable are recorded at the approximate net present value of future cash flows.

### 3. Federal Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 3. Federal Income Tax (continued)

Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows.

### 4. Concentration of Credit Risk

#### a. Bank Deposits

The Organization maintains its operating bank accounts in two local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Organization's cash balances may, at times, exceed these insured limits. At December 31, 2020, the Organization had uninsured deposits of \$802,511. At December 31, 2019, all of the Organizations deposits were insured. The Organization does not believe there is any significant risk associated with the concentrations of credit nor has the Organization experienced any losses in such accounts.

#### b. Investments

The Organization also maintains an investment account with a local financial institution. The investments are not insured by the FDIC or any other federal government agency, nor are they protected against market losses on investments. At December 31, 2020 and 2019, the Organization had \$1,117,392 and \$1,827,940, respectively, in these accounts.

#### c. Revenues and Support

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. A significant portion of the Organization's revenues and support are received from donors located within the same geographic region. In addition, one donor provided 25% of total revenues and support during the year ended December 31, 2020.



# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 5. Investments

Investments are held for an indefinite period, classified as available-for-sale and recorded at fair market value. Any increase or decrease in value from year to year is treated as a net unrealized gain or loss and recorded as an unrealized gain or loss from investments in the statement of activities. The Organization's investments consist of the following:

<b>As of December 31, 2020</b>	<b>Cost</b>	<b>Market</b>
Cash and equivalents	\$ 24,794	\$ 24,794
Fixed income	385,481	396,771
Equities and equity funds	550,282	680,709
Other	15,535	15,118
<b>Total</b>	<b>\$ 976,092</b>	<b>\$ 1,117,392</b>

  

<b>As of December 31, 2019</b>	<b>Cost</b>	<b>Market</b>
Cash and equivalents	\$ 248,072	\$ 248,072
Fixed income	540,376	542,057
Equities and equity funds	833,348	986,260
Other	51,807	51,551
<b>Total</b>	<b>\$ 1,673,603</b>	<b>\$ 1,827,940</b>

Investment management fees are reflected on the statement of activities netted with investment interest and dividends. Management fees for the years ended December 31, 2020 and 2019 totaled \$15,444 and \$14,079, respectively.

### 6. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 6. Fair Value Measurement (continued)

Level 3 - Unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at December 31, 2020.

	Level 1	Level 2	Level 3	Total
Investment account	\$ 1,117,392	\$ -	\$ -	\$ 1,117,392
Total	\$ 1,117,392	\$ -	\$ -	\$ 1,117,392

### 7. Property and Equipment

Activity of capital assets consists of the following:

As Of	January 1, 2020	Additions / Transfers	Retirements / Transfers	December 31, 2020
RMHC Family Rm., Mercy - Fort Smith	\$ 413,137	\$ 6,468	\$ -	\$ 419,605
RMHC Family Rm., Mercy - Rogers	636,284	-	-	636,284
RMHC House, Wash. Region- Fay.	1,078,277	1,314	-	1,079,591
RMHC Office	19,264	974	-	20,238
Construction in progress	2,565	147,321	-	149,886
Total	\$ 2,149,527	\$ 156,077	\$ -	\$ 2,305,604

Construction in progress of \$149,886 at December 31, 2020 was architecture fees for a new 8,200 square foot Ronald McDonald House in Fort Smith, Arkansas. The estimated cost of the new facility is approximately \$3.4 million which will be financed with contributions. The Organization received \$1,132,200 for the project during the year ended December 31, 2020. The anticipated opening of the House is Fall of 2021.

As Of	January 1, 2019	Additions / Transfers	Retirements / Transfers	December 31, 2019
RMHC Family Rm., Mercy - Fort Smith	\$ 383,811	\$ 29,326	\$ -	\$ 413,137
RMHC Family Rm., Mercy - Rogers	634,865	1,419	-	636,284
RMHC House, Wash. Region- Fay.	1,076,289	1,988	-	1,078,277
RMHC Office	17,778	1,486	-	19,264
Construction in progress	-	2,565	-	2,565
Total	\$ 2,112,743	\$ 36,784	\$ -	\$ 2,149,527

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 8. Net Assets with Donor Restrictions

Net assets were restricted for the following purposes:

<b>As of December 31,</b>	<b>2020</b>	<b>2019</b>
Care Mobile expenses	\$ 511,226	\$ 591,226
Fort Smith Ronald McDonald House construction	1,482,313	497,435
Fort Smith Family Room operations	44,713	156,363
First Year Impact grant for NICU families	82,394	42,871
COVID Relief	60,963	-
<b>Total</b>	<b>\$ 2,181,609</b>	<b>\$ 1,287,895</b>

### 9. In-Kind

The Organization received in-kind donations for the following:

<b>For the Year Ended December 31,</b>	<b>2020</b>	<b>2019</b>
Food received for Share a Meal program	\$ 67,461	\$ 87,741
Fundraising auction items and supplies	109,220	190,709
Rent expense	188,000	188,000
Program supplies	47,612	58,316
<b>Total</b>	<b>\$ 412,293</b>	<b>\$ 524,766</b>

### 10. Leases

RMHCA has agreements with St. Edward Mercy Health System, Fort Smith, AR, for approximately 2,400 square feet of space and Mercy Northwest Arkansas, Rogers, AR, for approximately 3,660 square feet of space for Ronald McDonald Family Rooms. The remodeled facilities had a net book value of \$650,665 as of December 31, 2020. The agreements expired in 2018 and 2016, respectively, but automatically renew for one year increments and can be terminated by either party upon 90 days written notice. The agreements do not provide for rent. The respective hospitals are required to provide utilities, security and housekeeping. RMHCA is required to maintain, manage, and staff the facilities, as well as qualify users, and provide certain insurance coverage.

RMHCA has a fifteen year agreement with Washington Regional Medical Center for the Ronald McDonald House Charities House to provide families of ill children with facilities to live while their children undergo medical treatment. RMHCA provided the buildout for the space and is responsible for the staffing for the unit. The remodeled facilities had a net book value of \$776,117 as of December 31, 2020. RMHCA is not responsible for the rent, utilities and upkeep of the space.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 10. Leases (continued)

RMHCA has a thirty year agreement with Mercy Hospital Fort Smith for the Ronald McDonald House Charities House to provide families of ill children with facilities to live while their children undergo medical treatment. Mercy Hospital Fort Smith will lease certain real estate to RMHCA and RMHCA is responsible for the demolition of existing improvements, construction of new improvements, interior design, furniture and fixtures, necessary supplies and printed materials in the designated space on the premises owned by Mercy Hospital Fort Smith. Mercy Hospital Fort Smith will provide, free of charge, the space necessary to construct, establish and operate a Ronald McDonald House, as well as provide utilities and computer/internet and local telephone services, and other amenities such as security and housekeeping. RMHCA is required to maintain, manage, and staff the facility, as well as qualify users, and provide certain insurance coverage.

RMHCA leases office space in Springdale under a lease that expires on November 18, 2020. Rental expense for this lease was \$19,392 and \$17,600 during the years ended December 31, 2020 and 2019, respectively.

RMHCA also leases office equipment under an operating lease that expires on February 10, 2025. Rental expense for office equipment totaled \$2,877 and \$3,000 for the years ended December 31, 2020 and 2019, respectively.

Future minimum annual rental commitments under the operating leases at December 31, 2020 are as follows:

<b>Year ending December 31,</b>	
2021	\$ 24,144
2022	4,432
2023	4,432
2024	4,432
2025	739
<b>Total</b>	<b>\$ 38,179</b>

### 11. Employee Benefit Plan

RMHCA has a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code. The plan is available to all full-time employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. RMHCA is required to make matching contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation. For the years ended December 31, 2020 and 2019, RMHCA has provided for matching contributions of \$8,009 and \$7,655, respectively.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 12. Related Party Transactions

The Organization pays to Global Ronald McDonald House Charities (Global) 25% of net revenue from donation box collections at McDonald's restaurants. Global remits the amount collected, net the fee, to the Organization. The Organization received \$39,169 and \$45,529 from Global fundraising efforts during the years ended December 31, 2020 and 2019, respectively.

RMHCA is party to a Support Agreement whereby it is committed to contribute to Arkansas Children's Hospital (ACH) 20% of the operating cost of a Care Mobile unit which is licensed to ACH by RMHC-Global. The Care Mobile unit is a mobile dental facility for children and is operated by ACH in RMHCA's service area. The support agreement may be terminated by RMHCA only with the agreement of RMHC-Global. However, the support agreement will also terminate upon the termination of the license agreement between ACH and RMHC-Global. In addition, ACH or RMHC-Global may terminate the license agreement with thirty days written notice. Contributions under this agreement amounting to \$80,000 and \$47,877 have been included in the statement of activities for the years ended December 31, 2020 and 2019, respectively.

### 13. Liquidity and Availability of Financial Assets

The Organization manages liquidity and reserves by operating within a prudent range of financial responsibility, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

<b>As of December 31,</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,052,511	\$ 52,889
Pledges receivable	43,525	62,000
Investments	1,117,392	1,827,940
Total financial assets available	2,213,428	1,942,829
Contractual or donor imposed restrictions:		
Restricted for Care Mobile expenses	(511,226)	(591,226)
Restricted for Fort Smith Ronald McDonald House construction	(1,482,313)	(497,435)
Restricted grant funds for NICU families	(82,394)	(42,871)
Restricted for COVID relief	(60,963)	-
<b>Financial Assets Available to Meet Cash Needs for Expenditures Within One Year</b>	<b>\$ 76,532</b>	<b>\$ 811,297</b>

# **RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

### **14. Paycheck Protection Program**

On April 15, 2020, the Organization was granted a loan from a local bank in the amount of \$128,000 pursuant to the Paycheck Protection Program under the CARES Act that was enacted March 27, 2020. The loan is unsecured. Proceeds from the loans can only be used for payroll costs, costs to continue group care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization applied for and was granted forgiveness of the loan on January 6, 2021.

### **15. Subsequent Events**

The Organization has evaluated events and transactions for subsequent events that would impact the statements for the year ended December 31, 2020 through July 6, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.