



RMHC[®]
Arkansas

Ronald McDonald House Charities of Arkansas, Inc.

**Financial Statements
December 31, 2020 and 2019**

(With Independent Auditor's Report Thereon)

Ronald McDonald House Charities of Arkansas, Inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ronald McDonald House Charities of Arkansas, Inc.
Little Rock, Arkansas

We have audited the accompanying financial statements of **Ronald McDonald House Charities of Arkansas, Inc.** (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Landmark PLC
Certified Public Accountants

Little Rock, Arkansas
July 26, 2021

Financial Statements

Ronald McDonald House Charities of Arkansas, Inc.

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,545,880	\$ 1,514,467
Certificates of deposit	932,305	921,177
Contributions receivable, net	58,480	273,231
Endowment assets	722,533	668,166
Property and equipment, net	8,319,026	7,954,049
Prepaid expenses	14,072	6,415
Other assets	2,382	2,834
TOTAL ASSETS	\$ 12,594,678	\$ 11,340,339
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and contracts payable	\$ 699,086	\$ 27,821
Accrued payroll and related liabilities	34,954	26,521
Refundable advances	163,745	103,417
Total Liabilities	897,785	157,759
 Net Assets		
Without donor restrictions	10,081,272	9,603,397
With donor restrictions	1,615,621	1,579,183
Total Net Assets	11,696,893	11,182,580
TOTAL LIABILITIES AND NET ASSETS	\$ 12,594,678	\$ 11,340,339

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statements of Activities Years Ended December 31, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue, Support, Gains and Reclassifications		
Grant awards and other contributions	\$ 1,330,011	\$ 1,038,822
Special event revenue	1,058,399	916,619
Rental	10,750	31,852
Interest and dividends	27,523	27,154
Net change in value of endowment assets	54,367	96,595
Other income	244	433
	2,481,294	2,111,475
Net assets released from restrictions	80,876	48,734
Total Revenue, Support, Gains and Reclassifications	2,562,170	2,160,209
Expenses		
Program services	1,349,304	1,124,821
General and administrative	96,757	139,636
Fundraising	447,372	421,570
Cost of direct benefits to donors	190,862	180,610
Total Expenses	2,084,295	1,866,637
Increase in Net Assets without Donor Restrictions	477,875	293,572
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	117,314	993,307
Net assets released from restrictions	(80,876)	(48,734)
Increase in Net Assets with Donor Restrictions	36,438	944,573
INCREASE IN TOTAL NET ASSETS	514,313	1,238,145
NET ASSETS, BEGINNING OF YEAR	11,182,580	9,944,435
NET ASSETS, END OF YEAR	\$ 11,696,893	\$ 11,182,580

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statement of Functional Expenses Year Ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Salaries	\$ 406,285	\$ 50,483	\$ 234,781	\$ -	\$ 691,549
Direct marketing and special events	79,446	7,570	85,283	-	172,299
Utilities	59,271	2,976	935	-	63,182
Depreciation	339,907	11,854	3,725	-	355,486
Insurance	29,465	1,479	465	-	31,409
Employee benefits	54,523	6,775	31,507	-	92,805
Printing and publishing	5,347	268	84	-	5,699
Household	112,762	-	-	-	112,762
Rent and facilities	-	-	-	36,719	36,719
Janitorial services	43,103	2,164	680	-	45,947
Payroll taxes	29,225	3,631	16,888	-	49,744
Repairs and maintenance	26,965	1,354	425	-	28,744
Professional fees	41,911	5,208	24,219	-	71,338
Postage	4,827	242	76	-	5,145
Telephone	9,094	457	143	-	9,694
Office supplies	3,386	170	53	-	3,609
Food and beverage	-	-	-	75,058	75,058
Advertising and public relations	3,771	469	2,180	-	6,420
Care Mobile expenses	59,437	-	-	-	59,437
Ronald McDonald Family Room expenses	26,860	-	-	-	26,860
Canister collection fees and supplies	380	-	-	-	380
Travel and conferences	664	82	383	-	1,129
Loss on uncollectible contributions	-	-	38,220	-	38,220
Miscellaneous	12,675	1,575	7,325	79,085	100,660
Total Expenses	<u>\$ 1,349,304</u>	<u>\$ 96,757</u>	<u>\$ 447,372</u>	<u>\$ 190,862</u>	<u>\$ 2,084,295</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statement of Functional Expenses Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Salaries	\$ 317,665	\$ 62,895	\$ 220,736	\$ -	\$ 601,296
Direct marketing and special events	65,605	7,382	102,099	-	175,086
Utilities	58,614	6,217	954	-	65,785
Depreciation	216,826	22,997	3,529	-	243,352
Insurance	27,062	2,870	440	-	30,372
Employee benefits	48,902	9,682	33,980	-	92,564
Printing and publishing	4,925	522	80	-	5,527
Household	189,170	-	-	-	189,170
Rent and facilities	-	-	-	43,376	43,376
Janitorial services	45,549	4,831	741	-	51,121
Payroll taxes	23,133	4,580	16,075	-	43,788
Repairs and maintenance	37,004	3,925	602	-	41,531
Professional fees	36,892	7,305	25,636	-	69,833
Postage	4,976	528	81	-	5,585
Telephone	9,170	973	149	-	10,292
Office supplies	2,352	249	38	-	2,639
Food and beverage	-	-	-	53,005	53,005
Advertising and public relations	3,987	789	2,771	-	7,547
Care Mobile expenses	12,845	-	-	-	12,845
Canister collection fees and supplies	487	-	-	-	487
Travel and conferences	1,821	360	1,265	-	3,446
Miscellaneous	17,836	3,531	12,394	84,229	117,990
Total Expenses	<u>\$ 1,124,821</u>	<u>\$ 139,636</u>	<u>\$ 421,570</u>	<u>\$ 180,610</u>	<u>\$ 1,866,637</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 514,313	\$ 1,238,145
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	355,486	243,352
Loss on uncollectible contributions	38,220	-
Net change in value of endowment assets	(54,367)	(96,595)
Changes in operating assets and liabilities:		
Contributions receivable, net	176,531	(162,190)
Other receivables	-	14,408
Prepaid expenses	(7,657)	766
Other assets	452	275
Accounts and contracts payable	(8,176)	(40,946)
Accrued payroll and related liabilities	8,433	(4,320)
Refundable advances	60,328	3,617
Net Cash Provided by Operating Activities	1,083,563	1,196,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit, net	(11,128)	(921,177)
Purchases of property and equipment	(41,022)	(28,554)
Net Cash Used by Investing Activities	(52,150)	(949,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on line of credit, net	-	(126,883)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,031,413	119,898
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,514,467	1,394,569
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,545,880	\$ 1,514,467
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Purchases of property and equipment included in accounts and contracts payable	\$ 679,441	\$ -

See accompanying notes to financial statements.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

Ronald McDonald House Charities of Arkansas, Inc. (the Organization) is a nonprofit organization incorporated under the laws of the state of Arkansas and licensed by McDonald's Corporation to operate as an affiliate of Ronald McDonald House Charities, Inc. Global (RMHC Global). The Organization is granted the right to use the Ronald McDonald House Charities registered trademark and related copyrights in connection with the operation and maintenance of the Ronald McDonald House, which provides temporary housing for seriously ill children and their families while the children are receiving treatment at a near-by hospital, fundraising activities and making grants to others for the benefit of children in and around the local area.

Under terms of the license agreement, the Organization participates in a canister collection program, which was established by RMHC Global. RMHC Global receives 25% of the collections from the canister program.

The Organization provides support for the Ronald McDonald Care Mobile (Care Mobile), a mobile healthcare unit operated by Arkansas Children's Hospital that provides dental services to the surrounding community. Under the terms of an agreement between RMHC Global, the Organization and Arkansas Children's Hospital, the Organization provides for 20% of the operating expenses related to the Care Mobile.

The Organization also operates the Ronald McDonald Family Room (the Family Room) at the University of Arkansas for Medical Sciences (UAMS), located in UAMS' neonatal intensive care unit, providing respite, overnight rooms and amenities to families of their hospitalized babies. The Organization provides 100% of support for the Family Room.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

For purposes of presentation in the statements of cash flows, cash and cash equivalents include demand deposit accounts and money market accounts held at multiple financial institutions.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Assets

Endowment assets include units of participation in a pooled fund administered by the Arkansas Community Foundation (ACF). Note 8 provides more information about these pooled funds and policies for determining fair value.

Realized and unrealized gains and losses on endowment assets are included in “change in value of endowment assets” on the statements of activities. Purchases and sales are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. 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.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at the fair value at the time of donation. Major renewals and improvements are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to forty years.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as support in the period received or when the Organization becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

Promises to give which are scheduled to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional support over the term of the related promise to give.

As management believes all contributions receivable are fully collectible, no allowance for uncollectible contributions receivable has been recorded. If amounts become uncollectible, they will be expensed when that determination is made.

The Organization receives funds for special events, including two major fundraising events, and other events held with the intent to increase awareness of the Organization and its programs. A portion of

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

the major fundraising event revenue is intended to cover the cost of the meal and entertainment provided, although the majority of the revenue consists of donor sponsorships and contributions. The Organization received donor sponsorships and contributions of approximately \$19,000 and \$103,000 that is included in refundable advances and the revenue has not been recognized at December 31, 2020 and 2019, respectively, because barriers to revenue recognition have not yet been met.

Donated Services

Donated services are recognized as contributions if services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

A portion of the Organization's functions and activities are conducted by unpaid board members and other volunteers. Since this volunteer time does not meet the criteria for revenue recognition, its value is not reflected in the accompanying financial statements.

Functional Expenses

Expenses associated with certain activities and functions necessary for the support of programs provided by the Organization are considered supporting services expenses. Supporting services include various costs associated with administration, fundraising, maintenance and other general functions of the Organization.

The Organization allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services. The expenses that are allocated include depreciation, insurance, repairs and maintenance, utilities, janitorial services, telephone, postage, printing and publishing, and office supplies, and are allocated on a square footage basis. Salaries, employee benefits, payroll taxes, professional fees, advertising and public relations, and travel and conferences are allocated based on the basis of estimates of time and effort.

Advertising Expense

The Organization uses advertising to promote its programs throughout the area it serves. The production costs of advertising are expensed the first time the advertising takes place. Advertising expense was approximately \$6,400 and \$7,500 during the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Internal Revenue Code Section 509(a).

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Accounting standards require the Organization to evaluate tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Organization may be subject to audit by the Internal Revenue Service; however there are currently no audits for any tax periods in progress.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results may differ from those estimates.

Expense Allocation

The Organization achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. For the years ended December 31, 2020 and 2019, the costs of conducting those campaigns totaled approximately \$68,600 and \$104,400, respectively, of joint costs that are not directly attributable to either the program services or the fundraising component of the activities. Of those amounts, approximately \$18,500 and \$28,100 were allocated to program services and \$50,100 and \$76,300 were allocated to fundraising for the years ended December 31, 2020 and 2019, respectively.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The amendments in this update will be effective for the Organization on January 1, 2022. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to enhance disclosures about the valuation of those contributions and their use in programs and other activities, including any donor-imposed restrictions on such use. The amendments in this ASU should be applied on a retrospective basis and will be effective for the Organization on January 1, 2022. Management has not yet determined the significance of the impact of implementation of this standard or any related amendments.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, 2020 and 2019 include the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 59,525	\$ 274,276
Less unamortized discount on long-term receivables	<u>(1,045)</u>	<u>(1,045)</u>
	<u>\$ 58,480</u>	<u>\$ 273,231</u>

Promises to give which are scheduled to be received after one year are reported at the present value of estimated future cash flows using a discount rate of 4.0%.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	8,073,603	\$ 8,038,167
Leasehold improvements	679,441	-
Furniture and equipment	299,046	293,460
Vehicles	52,148	52,148
Less accumulated depreciation	<u>(1,127,287)</u>	<u>(771,801)</u>
	7,976,951	7,611,974
Land and land improvements	<u>342,075</u>	<u>342,075</u>
	<u>\$ 8,319,026</u>	<u>\$ 7,954,049</u>

NOTE 5: LINE OF CREDIT

At December 31, 2020 and 2019, the Organization had a \$100,000 line of credit with a financial institution, with interest on this line of credit accruing at 3.30% and 5.58%, respectively, and is paid monthly. None of this line of credit was used as of December 31, 2020. This line of credit matured on March 12, 2021. In April 2021, this line of credit was extended through March 12, 2022 for \$100,000. The interest rate on the renewal will accrue at 3.30%. At the time of maturity, all outstanding advances and any unpaid interest thereon are due and payable.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 6: PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, the principal amount of which is approximately \$144,500 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, is unsecured and guaranteed by the SBA. All or a portion of the principal amount of the PPP Loan may be forgiven upon the Organization's request to the extent that the PPP Loan proceeds are used to pay those expenses expressly permitted by the Program, including payroll costs, rent and mortgage obligations, and utility payments incurred by the Organization. The principal balance of the PPP Loan is recorded as a conditional contribution for the purposes of these financial statements and is included in refundable advances in the statements of financial position.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

The following provides the amounts comprising net assets with donor restrictions as of December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specific purpose:		
Ronald McDonald Family Room	\$ 1,056,795	\$ 980,788
Coca-Cola fund	22,876	16,554
House meals fund	67	519
Farm Bureau gift card program	5,991	5,991
Staff support allocation	-	6,000
Tyson meal program	6,412	-
	1,092,141	1,009,852
Subject to passage of time:		
Capital campaign fund	23,480	51,331
General house operations	-	18,000
	23,480	69,331
Subject to perpetuity:		
Kroc Operating Endowment	500,000	500,000
Total net assets with donor restrictions	\$ 1,615,621	\$ 1,579,183

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 8: ENDOWMENT

During 2016, the Board entered into an agreement with ACF to create an endowment fund (the Fund) to aid and assist the Organization in carrying out its charitable purposes. The Organization invested into the Fund a contribution received from a donor, the corpus of which is to be maintained in perpetuity, and general contributions resulting from an internal designation by the Board of Directors (the Board). Contributions and income of the Fund are reported as increases to net assets without donor restrictions. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by the spending rate policy adopted by the Board and ACF, any amount may be withdrawn out of the Fund, however any donor restrictions will remain in place.

The Organization invests the assets in the Fund in a pooled fund managed by ACF. The Organization's interest in the pooled fund is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets.

Changes in endowment net assets attributable to the Fund during the years ended December 31 are as follows:

	2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 168,166	\$ 500,000	\$ 668,166
Change in value of endowment assets	54,367	-	54,367
Endowment net assets, end of year	<u>\$ 222,533</u>	<u>\$ 500,000</u>	<u>\$ 722,533</u>
	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 71,571	\$ 500,000	\$ 571,571
Change in value of endowment assets	96,595	-	96,595
Endowment net assets, end of year	<u>\$ 168,166</u>	<u>\$ 500,000</u>	<u>\$ 668,166</u>

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 9: DONATED USE OF LAND

On June 30, 2015, a lease agreement was executed between the Organization and Arkansas Children's Hospital for the land on which the new building is located. The rent for the land is one dollar (\$1.00) per year. This arrangement provides significant economic value to the Organization. However, there is no determinable fair value of the rent associated with the usage of the land. Accordingly, no promises to give, nor rent expense has been recorded for this lease.

NOTE 10: EMPLOYEE BENEFIT PLAN

Effective February 1, 2009, the Organization's Board of Directors established a 403(b) thrift plan that covers all employees. Employees are allowed to make salary deferrals to this plan, subject to limitations set forth in the Internal Revenue Code. In addition, the Organization makes matching contributions equal to 100% of the employee's salary deferrals up to 5% of their compensation. Employer matching contributions totaled approximately \$16,000 and \$14,600 for the years ended December 31, 2020 and 2019, respectively.

NOTE 11: CONCENTRATION OF CREDIT RISK

The Organization maintains bank accounts, which include demand deposits and certificates of deposit that may, at times, have balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). In the event of an institutional failure, the excess of the balance over FDIC insurance may not be recoverable. At December 31, 2020 and 2019, the total account balance maintained at multiple financial institutions was approximately \$2,529,000 and \$1,502,000, respectively. All balances were insured by the FDIC at December 31, 2020 and 2019.

NOTE 12: RELATED PARTY RELATIONSHIPS

Certain members of the Board of Directors serve in management capacities at financial institutions and a telecommunications company that the Organization has transacted with during the years ended December 31, 2020 and 2019.

Ronald McDonald House Charities of Arkansas, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 13: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,545,880	\$ 1,514,467
Certificates of deposit	932,305	921,177
Contributions receivable	58,480	273,231
Endowment assets	222,533	168,166
	<u>3,759,198</u>	<u>2,877,041</u>
Less contributions due in more than one year	<u>-</u>	<u>(59,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,759,198</u>	<u>\$ 2,817,541</u>

Although not expected to be needed, the Organization could also draw upon a \$100,000 line of credit, all of which is unused as of December 31, 2020 (as disclosed in Note 5).

NOTE 14: RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the COVID-19 pandemic on the Organization and its financial results will depend on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain. Management is unable to accurately predict the full effect the COVID-19 pandemic will have on the Organization.

NOTE 15: SUBSEQUENT EVENTS

On May 28, 2021, the Organization received notification that its PPP Loan in the amount of \$144,495 has been forgiven, along with any accrued interest.

Management has evaluated subsequent events through July 26, 2021, the date that the financial statements were available to be issued.