

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

Roanoke, Virginia

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ronald McDonald House Charities
of Southwest Virginia, Inc.
Roanoke, Virginia

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 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 Southwest Virginia, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A. L. + R. L., LLP

Roanoke, Virginia
August 19, 2020

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Statements of Financial Position
December 31, 2019 and 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 231,736	\$ 131,386
Receivables	17,861	20,012
Investments	50,367	48,024
Prepaid expenses	<u>7,582</u>	<u>9,203</u>
Total current assets	<u>307,546</u>	<u>208,625</u>
Investments	<u>863,959</u>	<u>724,063</u>
Property and Equipment		
Land and land improvements	64,962	64,962
Buildings	46,489	46,489
Leasehold improvements	930,663	913,175
Autos and vans	13,321	36,020
Furniture and equipment	<u>600,355</u>	<u>626,641</u>
Total	1,655,790	1,687,287
Less accumulated depreciation	<u>1,022,934</u>	<u>1,138,986</u>
Net property and equipment	<u>632,856</u>	<u>548,301</u>
Total assets	<u>\$ 1,804,361</u>	<u>\$ 1,480,989</u>
<u>LIABILITIES and NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 37,469</u>	<u>\$ 17,335</u>
Net Assets		
Without donor restrictions	809,377	668,515
With donor restrictions	<u>957,515</u>	<u>795,139</u>
Total net assets	<u>1,766,892</u>	<u>1,463,654</u>
Total liabilities and net assets	<u>\$ 1,804,361</u>	<u>\$ 1,480,989</u>

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Statement of Activities
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 528,720	\$ 51,032	\$ 579,752
Contributions – in-kind	445,749	-	445,749
Room donations	3,679	-	3,679
Special events (net of costs of \$27,454)	30,795	-	30,795
Other income (loss)	(3,814)	-	(3,814)
Net assets released from restrictions	<u>28,552</u>	<u>(28,552)</u>	<u>-</u>
Total support and revenue	<u>1,033,681</u>	<u>22,480</u>	<u>1,056,161</u>
EXPENSES			
Program	642,809	-	642,809
Management and general	121,998	-	121,998
Fundraising and promotion	<u>130,418</u>	<u>-</u>	<u>130,418</u>
Total expenses	<u>895,225</u>	<u>-</u>	<u>895,225</u>
CHANGE IN NET ASSETS FROM OPERATIONS	138,456	22,480	160,936
INVESTMENT INCOME, NET	<u>2,406</u>	<u>139,896</u>	<u>142,302</u>
CHANGE IN NET ASSETS	<u>140,862</u>	<u>162,376</u>	<u>303,238</u>
NET ASSETS			
Beginning	<u>668,515</u>	<u>795,139</u>	<u>1,463,654</u>
Ending	<u>\$ 809,377</u>	<u>\$ 957,515</u>	<u>\$ 1,766,892</u>

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**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Statement of Activities
For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 462,554	\$ 18,700	\$ 481,254
Contributions – in-kind	286,639	-	286,639
Room donations	13,186	-	13,186
Special events (net of costs of \$23,383)	26,206	-	26,206
Other income (loss)	(1,497)	-	(1,497)
Net assets released from restrictions	<u>109,503</u>	<u>(109,503)</u>	<u>-</u>
Total support and revenue	<u>896,591</u>	<u>(90,803)</u>	<u>805,788</u>
EXPENSES			
Program	618,834	-	618,834
Management and general	134,650	-	134,650
Fundraising and promotion	<u>112,436</u>	<u>-</u>	<u>112,436</u>
Total expenses	<u>865,920</u>	<u>-</u>	<u>865,920</u>
CHANGE IN NET ASSETS FROM OPERATIONS	30,671	(90,803)	(60,132)
INVESTMENT INCOME, NET	<u>729</u>	<u>(43,431)</u>	<u>(42,702)</u>
CHANGE IN NET ASSETS	<u>31,400</u>	<u>(134,234)</u>	<u>(102,834)</u>
NET ASSETS			
Beginning	<u>637,115</u>	<u>929,373</u>	<u>1,566,488</u>
Ending	<u>\$ 668,515</u>	<u>\$ 795,139</u>	<u>\$ 1,463,654</u>

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 303,238	\$ (102,834)
Adjustments to reconcile change in net assets to cash flows provided by operating activities:		
Depreciation	74,845	65,758
Loss on disposal of property and equipment	3,830	1,586
Donated property and equipment	(142,495)	(25,121)
(Gain) loss on investments	(101,040)	81,137
Changes in current assets and liabilities:		
(Increase) decrease:		
Accounts receivable	2,151	(7,522)
Prepaid expenses	1,621	183
Increase (decrease):		
Accounts payable and accrued expenses	<u>18,934</u>	<u>953</u>
Net cash provided by operating activities	<u>161,084</u>	<u>14,140</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(23,885)	(20,351)
Purchase of investments	(166,680)	(153,277)
Proceeds from sales of investments	125,481	239,912
Proceeds from sale of property and equipment	<u>4,350</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(60,734)</u>	<u>66,284</u>
Net Increase in Cash	100,350	80,424
CASH AND CASH EQUIVALENTS		
Beginning	<u>131,386</u>	<u>50,962</u>
Ending	<u>\$ 231,736</u>	<u>\$ 131,386</u>

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising and Promotion</u>	<u>Total</u>
Salaries	\$ 148,145	\$ 41,239	\$ 61,251	\$ 250,635
Employee benefits	8,154	3,269	10,792	22,215
Payroll taxes	<u>11,333</u>	<u>3,154</u>	<u>4,686</u>	<u>19,173</u>
Total salaries and related expenses	167,632	47,662	76,729	292,023
Advertising	-	-	15,000	15,000
Automobile expense	469	-	52	521
Canisters	-	-	1,992	1,992
Cleaning services and supplies	35,762	-	-	35,762
Contract services	9,966	1,107	-	11,073
Depreciation	63,618	11,227	-	74,845
Family support services and supplies	15,396	-	-	15,396
Fundraising	-	-	26,467	26,467
Insurance	17,306	5,769	-	23,075
Linens and laundry	4,362	-	-	4,362
Maintenance and repairs	38,863	2,045	-	40,908
Meetings, education and training	-	2,701	-	2,701
Office supplies	-	3,165	791	3,956
Postage and courier	280	840	4,482	5,602
Professional fees	-	6,000	3,295	9,295
Rent	234,677	26,075	-	260,752
Taxes and licenses	-	2,040	-	2,040
Technology	268	3,488	1,610	5,366
Telephone	10,077	1,120	-	11,197
Travel, meals and entertainment	-	488	-	488
Utilities	40,455	4,495	-	44,950
Volunteer resources and recognition	2,480	-	-	2,480
Other	<u>1,198</u>	<u>3,776</u>	<u>-</u>	<u>4,974</u>
	<u>\$ 642,809</u>	<u>\$ 121,998</u>	<u>\$ 130,418</u>	<u>\$ 895,225</u>

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**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising and Promotion</u>	<u>Total</u>
Salaries	\$ 147,132	\$ 45,416	\$ 61,376	\$ 253,924
Employee benefits	7,849	3,390	9,878	21,117
Payroll taxes	<u>11,268</u>	<u>3,474</u>	<u>4,682</u>	<u>19,424</u>
Total salaries and related expenses	166,249	52,280	75,936	294,465
Automobile expense	569	-	-	569
Canisters	-	-	1,483	1,483
Cleaning services and supplies	34,662	-	-	34,662
Contract services	8,657	962	-	9,619
Depreciation	55,894	9,864	-	65,758
Family support services and supplies	20,293	-	-	20,293
Fundraising	-	-	6,291	6,291
Insurance	15,804	5,268	-	21,072
Linens and laundry	2,942	-	-	2,942
Maintenance and repairs	28,747	1,513	-	30,260
Meetings, education and training	-	8,503	-	8,503
Office supplies	-	3,108	777	3,885
Postage and courier	199	598	3,189	3,986
Printing and publishing	-	-	4,230	4,230
Professional fees	-	6,000	-	6,000
Rent	230,361	25,596	-	255,957
Taxes and licenses	-	2,441	-	2,441
Technology	322	6,255	20,530	27,107
Telephone	10,242	1,138	-	11,380
Travel, meals and entertainment	-	3,700	-	3,700
Utilities	40,617	4,513	-	45,130
Volunteer resources and recognition	2,345	-	-	2,345
Other	<u>931</u>	<u>2,911</u>	<u>-</u>	<u>3,842</u>
	<u>\$ 618,834</u>	<u>\$ 134,650</u>	<u>\$ 112,436</u>	<u>\$ 865,920</u>

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 1. Nature of Activities

Ronald McDonald House Charities of Southwest Virginia, Inc. is a nonprofit organization that works for the well being of children by supporting the Ronald McDonald House of Roanoke and the Ronald McDonald House Family Room at Carilion Clinic Children's Hospital.

The Ronald McDonald House is a comfortable and supportive 'home-away-from-home' for the families of sick or injured children who must come to Roanoke for medical treatment. The House keeps families close by offering a refuge from the hospital – a room of their own with a bath, kitchen, laundry facilities and toys for the children.

The Ronald McDonald House Family Room is a respite area available for parents to rest and regroup steps away from their child's bedside. The Room provides comfortable seating, a kitchen stocked with snacks, computers with internet access, and a quiet space for rest and making personal phone calls.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Organization are prepared on an accrual basis of accounting.

Financial Statement Presentation:

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation: (Continued)

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 purpose has been fulfilled and/or the stipulated time period 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.

This change has the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 653,160	\$ -
Temporarily restricted net assets	113,328	-
Permanently restricted net assets	800,000	-
Net assets without donor restrictions	-	637,115
Net assets with donor restrictions	<u>-</u>	<u>929,373</u>
Total net assets	<u>\$ 1,566,488</u>	<u>\$ 1,566,488</u>

Functional Allocation of Expenses:

In the accompanying statement of functional expenses, all expenses are allocated based upon the functions to which they relate. Expenses are allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived. Salaries and the related expenses are allocated on estimates of time spent under each function. Costs of other expenses are allocated based on estimates of the amount spent per each functional category.

Cash and Cash Equivalents:

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 2. Summary of Significant Accounting Policies (Continued)

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Equipment:

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. The recoverability of long-lived assets is evaluated by comparing the carrying amount to the estimated undiscounted cash flows. If the carrying amount exceeds the estimated undiscounted cash flows, an impairment charge would be recognized for the amount by which the carrying amount exceeds the fair value of the long-lived asset. Management determined there was no impairment of long-lived assets as of or during the years ended December 31, 2019 and 2018.

Income Tax Status:

The Organization is classified as tax exempt under the provisions of Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes is reflected in these financial statements.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk:

The Organization maintains cash deposits in a commercial bank that sometimes exceed amounts covered by the U. S. Federal Deposit Insurance Corporation. The Organization believes that there is no significant risk with respect to these deposits.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 3. Investments

The cost and fair value of investment securities at December 31, 2019 and 2018 are as follows:

<u>Mutual Funds</u>	<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>
Bond funds	\$ 322,111	\$ 325,521
Equity funds	<u>539,778</u>	<u>588,805</u>
	<u><u>\$ 861,889</u></u>	<u><u>\$ 914,326</u></u>

<u>Mutual Funds</u>	<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>
Bond funds	\$ 314,841	\$ 310,380
Equity funds	<u>482,542</u>	<u>461,707</u>
	<u><u>\$ 797,383</u></u>	<u><u>\$ 772,087</u></u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 41,262	\$ 38,435
Realized and unrealized gains (losses), net	<u>101,040</u>	<u>(81,137)</u>
Investment income, net	<u><u>\$ 142,302</u></u>	<u><u>\$ (42,702)</u></u>

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Program activities:		
Ronald McDonald House	\$ 65,314	\$ 24,047
Ronald McDonald Family Room	<u>273</u>	<u>173</u>
	<u><u>65,587</u></u>	<u><u>24,220</u></u>

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 4. Net Assets With Donor Restrictions (Continued)

	<u>2019</u>	<u>2018</u>
Subject to the Organization's spending policy and appropriation:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 800,000	\$ 800,000
Accumulated gain (loss)	<u>91,928</u>	<u>(29,081)</u>
	<u>891,928</u>	<u>770,919</u>
Total net assets with donor restrictions	<u>\$ 957,515</u>	<u>\$ 795,139</u>

Note 5. Endowment Funds

The Organization's endowment consists of two donor-restricted funds. One was awarded in 1993 by Mrs. Joan Kroc in the amount of \$500,000. This endowment is to provide an ongoing source of income for the Organization to help pay operating expenses. In July, 2012, a \$300,000 gift was received as a permanent endowment fund. The income from this fund is to be used for (a) construction of a new fence, (b) guest room remodeling and repair and (c) subsidizing the cost of off-site hotel stays for families.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the Virginia legislature as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit stipulations to the contrary. 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 by UPMIFA.

The Organization considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and of the particular fund
3. General economic conditions
4. Possible effects of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The investment policy of the Organization

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 5. Endowment Funds (Continued)

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted fund, which has an original gift value of \$500,000, a fair value of \$452,702, and a deficiency of \$47,298 as of December 31, 2018. This deficiency resulted from unfavorable market fluctuations and continued appropriation for certain expenses that were deemed prudent by the Board. There were no such deficiencies as of December 31, 2019.

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board subsequent to year end, the endowment assets are invested in a manner that is intended to produce an average total return that exceeds the spending/payout rate plus inflation, while assuming a moderate level of investment risk. Certain higher risk investments are permitted by the Board. This objective shall be measured over an annualized rolling 5 and 10-year period.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets an asset allocation that is comprised predominantly of a diversified mix of equity-based investments, fixed income securities, and cash and cash equivalents, with a heavy emphasis on fixed income securities, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The spending policy is outlined in the investment policy that was approved by the Board. Spending from total investments, including the endowment, to provide for operations, is expected to be, at most, 5% of the 12-quarter moving average of the fund's market value as of September 30, with the understanding that this spending rate plus the inflation assumption will not normally exceed the expected investment return.

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 5. Endowment Funds (Continued)

Changes in endowment net assets for the years ending December 31, 2019 and 2018 are as follows:

Endowment net assets, December 31, 2017	\$ 872,494
Investment return, net	(43,431)
Amounts appropriated for expenditure	<u>(58,144)</u>
Endowment net assets, December 31, 2018	770,919
Investment return, net	139,896
Amounts appropriated for expenditure	<u>(18,887)</u>
Endowment net assets, December 31, 2019	<u>\$ 891,928</u>

Note 6. Fair Value Measurements

The Organization reports fair value measurements in accordance with applicable accounting standards, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable and can be corroborated by observable market data for substantially the full term of the asset or liability by correlation to other means.
- Level 3: Inputs that are unobservable for the asset or the liability.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019 and 2018:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>
December 31, 2019:		
Bond Funds	\$ 325,521	\$ 325,521
Equity Funds	<u>588,805</u>	<u>588,805</u>
	<u>\$ 914,326</u>	<u>\$ 914,326</u>

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 6. Fair Value Measurements (Continued)

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>
December 31, 2018:		
Bond Funds	\$ 310,380	\$ 310,380
Equity Funds	<u>461,707</u>	<u>461,707</u>
	<u>\$ 772,087</u>	<u>\$ 772,087</u>

Note 7. Leases

The facility, known as Ronald McDonald House, is owned by Carilion Clinic Properties, LLC, a wholly-owned subsidiary of Carilion Clinic. The facility is used by the Organization on a rent-free basis. The estimated fair rental values of the facility for the years ended December 31, 2019 and 2018 were \$260,752 and \$255,957, respectively. These amounts are recorded as an in-kind contribution with a like amount recorded as rent expense.

Note 8. Retirement Plan

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code covering all employees. Under the plan, the Organization matches dollar for dollar up to 4% of the participant's salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$4,957 and \$5,116 for the years ended December 31, 2019 and 2018, respectively.

Note 9. Donated Services

The Organization has a substantial number of volunteers that have donated significant amounts of their time in the Organization's program services and fund-raising campaigns. In accordance with generally accepted accounting principles, no amounts have been reflected in the financial statements for these services.

Note 10. Related-Party Transactions

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

**RONALD MCDONALD HOUSE CHARITIES
OF SOUTHWEST VIRGINIA, INC.**

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 10. Related-Party Transactions (Continued)

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2019 and 2018, the Organization received \$76,655 and \$99,416, respectively, from these revenue streams.

Note 11. Liquidity

The Organization manages its financial assets to ensure resources are available to meet obligations over the next twelve months. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consists of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 231,736	\$ 131,386
Receivables	17,861	20,012
Investments	<u>50,367</u>	<u>48,024</u>
Financial assets	299,964	199,422
Donor-imposed restrictions	<u>(93,557)</u>	<u>(71,076)</u>
Financial assets available for general expenditures	<u>\$ 206,407</u>	<u>\$ 128,346</u>

Note 12. Subsequent Events

Management has evaluated subsequent events through August 19, 2020, the date on which the financial statements were available for issue.

The President of the United States declared the COVID-19 pandemic a national emergency on March 13, 2020. The duration and full effects of the COVID-19 outbreak are unknown as of the date of this report. Therefore, the Organization is not able to provide an estimate of the financial effect of this crisis.