

**RONALD MCDONALD HOUSE CHARITIES OF EL PASO
EL PASO, TEXAS**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**RONALD MCDONALD HOUSE CHARITIES OF EL PASO
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of El Paso, Inc.

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

Management's Responsibility for the Financial Statements

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

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 El Paso, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilson Ruddock Pattison LLC

El Paso, Texas
May 13, 2020

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RONALD MCDONALD HOUSE CHARITIES OF EL PASO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 292,213	\$ 245,561
Accounts Receivable, Net	22,941	8,500
Contributions Receivable, Net	19,582	36,591
Prepaid Expenses	17,937	7,750
Total Current Assets	352,673	298,402
NONCURRENT ASSETS		
Investments	2,171,772	1,868,474
Property and Equipment, Net	1,317,599	1,350,495
Beneficial Interest in Assets Held by Others	46,329	46,329
Total Noncurrent Assets	3,535,700	3,265,298
Total Assets	\$ 3,888,373	\$ 3,563,700
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 15,859	\$ 20,226
Deferred Revenue	11,642	1,888
Total Current Liabilities	27,501	22,114
Total Liabilities	27,501	22,114
NET ASSETS		
Without Donor Restrictions	3,350,627	3,039,466
With Donor Restrictions	510,245	502,120
Total Net Assets	3,860,872	3,541,586
Total Liabilities and Net Assets	\$ 3,888,373	\$ 3,563,700

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 181,018	\$ 25,000	\$ 206,018	\$ 234,256	\$ 5,000	\$ 239,256
Special Events Revenue	255,705	-	255,705	244,271	-	244,271
Room Donations/Fees	5,230	-	5,230	7,239	-	7,239
Third-Party Reimbursements	27,212	-	27,212	-	-	-
Other Income	-	-	-	1,828	-	1,828
Net Assets Released from Restrictions	34,175	(34,175)	-	39,933	(39,933)	-
Total Revenues and Other Support	<u>503,340</u>	<u>(9,175)</u>	<u>494,165</u>	<u>527,527</u>	<u>(34,933)</u>	<u>492,594</u>
EXPENSES						
Program Services	330,847	-	330,847	332,187	-	332,187
Cost of Direct Benefits to Donors	19,236	-	19,236	18,732	-	18,732
Management and General Administration	64,638	-	64,638	78,535	-	78,535
Fundraising	122,083	-	122,083	82,370	-	82,370
Total Expenses	<u>536,804</u>	<u>-</u>	<u>536,804</u>	<u>511,824</u>	<u>-</u>	<u>511,824</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(33,464)	(9,175)	(42,639)	15,703	(34,933)	(19,230)
INVESTMENT INCOME, NET	<u>344,625</u>	<u>17,300</u>	<u>361,925</u>	<u>(73,315)</u>	<u>16,392</u>	<u>(56,923)</u>
CHANGE IN NET ASSETS	311,161	8,125	319,286	(57,612)	(18,541)	(76,153)
Net Assets - Beginning of Year	<u>3,039,466</u>	<u>502,120</u>	<u>3,541,586</u>	<u>3,097,078</u>	<u>520,661</u>	<u>3,617,739</u>
NET ASSETS - END OF YEAR	<u>\$ 3,350,627</u>	<u>\$ 510,245</u>	<u>\$ 3,860,872</u>	<u>\$ 3,039,466</u>	<u>\$ 502,120</u>	<u>\$ 3,541,586</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Other Program Services					
Salaries	\$ 152,868	\$ -	\$ -	\$ -	\$ 152,868	\$ 31,051	\$ 54,937	\$ -	\$ 238,856
Employee Benefits	20,297	-	-	-	20,297	6,152	5,705	-	32,154
Payroll Taxes	11,254	-	-	-	11,254	2,286	4,044	-	17,584
Total Salaries and Related Expenses	184,419	-	-	-	184,419	39,489	64,686	-	288,594
Advertising	-	-	-	-	-	1,104	-	-	1,104
Automobile	2,729	-	-	-	2,729	-	-	-	2,729
Depreciation	41,005	-	-	-	41,005	2,278	2,278	-	45,561
Direct Mail	-	-	-	-	-	-	17,260	-	17,260
Family Support Services and Supplies	12,256	6,577	-	-	18,833	-	-	-	18,833
Insurance	12,961	-	-	-	12,961	1,318	752	-	15,031
Maintenance and Repairs	7,512	-	-	-	7,512	417	417	-	8,346
Meetings, Education and Training	-	-	-	-	-	4,078	-	-	4,078
Office Supplies	8,315	-	-	-	8,315	495	25,026	12,236	46,072
Postage and Courier	770	-	-	-	770	43	43	-	856
Printing and Publishing	-	-	-	-	-	-	6,524	-	6,524
Professional Fees	10,705	-	-	-	10,705	3,379	3,068	-	17,152
Rent	10,260	-	-	-	10,260	570	570	7,000	18,400
Technology	1,300	-	-	-	1,300	72	72	-	1,444
Telephone	5,815	-	-	-	5,815	323	323	-	6,461
Travel, Meals, and Entertainment	5,921	-	-	-	5,921	-	-	-	5,921
Utilities	19,148	-	-	-	19,148	1,064	1,064	-	21,276
Volunteer Resources and Recognition	-	-	-	-	-	3,710	-	-	3,710
Other	1,154	-	-	-	1,154	6,298	-	-	7,452
Total Expenses	\$ 324,270	\$ 6,577	\$ -	\$ -	\$ 330,847	\$ 64,638	\$ 122,083	\$ 19,236	\$ 536,804

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Total	Management and Fundraising		Cost of Direct Benefits to Donors		Total
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Other Program Services		General	Fundraising			
Salaries	\$ 150,882	\$ -	\$ -	\$ -	\$ 150,882	\$ 39,462	\$ 41,783	\$ -	\$ -	\$ 232,127
Employee Benefits	16,171	-	-	-	16,171	7,088	3,884	-	-	27,143
Payroll Taxes	10,142	-	-	-	10,142	2,652	2,808	-	-	15,602
Total Salaries and Related Expenses	177,195	-	-	-	177,195	49,202	48,475	-	-	274,872
Advertising	-	-	-	-	-	1,528	-	-	-	1,528
Automobile	10,588	-	-	-	10,588	-	-	-	-	10,588
Depreciation	42,521	-	-	-	42,521	2,362	2,362	-	-	47,245
Direct Mail	-	-	-	-	-	-	1,177	-	-	1,177
Family Support Services and Supplies	4,412	6,419	-	-	10,831	-	-	-	-	10,831
Insurance	11,563	-	-	-	11,563	1,296	699	-	-	13,558
Maintenance and Repairs	20,095	-	-	-	20,095	1,116	1,116	-	-	22,327
Meetings, Education and Training	-	-	-	-	-	3,867	-	-	-	3,867
Office Supplies	15,956	-	-	-	15,956	886	19,537	686	-	37,065
Postage and Courier	1,098	-	-	-	1,098	61	61	-	-	1,220
Printing and Publishing	-	-	-	-	-	-	5,249	-	-	5,249
Professional Fees	7,221	-	-	-	7,221	2,302	2,000	-	-	11,523
Rent	2,733	-	-	-	2,733	152	152	18,046	-	21,083
Technology	-	-	-	-	-	1,870	-	-	-	1,870
Telephone	4,463	-	-	-	4,463	248	248	-	-	4,959
Travel, Meals, and Entertainment	7,636	-	-	-	7,636	333	-	-	-	7,969
Utilities	20,277	-	-	-	20,277	1,126	1,126	-	-	22,529
Volunteer Resources and Recognition	-	-	-	-	-	3,798	168	-	-	3,966
Other	10	-	-	-	10	8,388	-	-	-	8,398
Total Expenses	\$ 325,768	\$ 6,419	\$ -	\$ -	\$ 332,187	\$ 78,535	\$ 82,370	\$ 18,732	\$ -	\$ 511,824

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 319,286	\$ (76,153)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	45,561	47,245
(Gain) loss on disposal of asset	-	(218)
Net Realized and Unrealized (Gains) Losses on Investments	(291,599)	116,782
Net Unrealized (Gains) Losses on EPCF Interest	-	975
(Increase) Decrease in Assets:		
Accounts Receivable	17,009	(2,545)
Contributions Receivable	(14,441)	(36,591)
Prepaid Expenses	(10,187)	1,721
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(4,367)	8,821
Deferred Revenue	9,754	(21,472)
Net Cash Provided (Used) by Operating Activities	71,016	38,565
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(548,886)	(264,366)
Proceeds from Sale of Investments	537,187	261,040
Purchases of Property and Equipment	(12,665)	(7,160)
Net Cash Provided (Used) by Investing Activities	(24,364)	(10,486)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,652	28,079
Cash and Cash Equivalents - Beginning of Year	245,561	217,482
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 292,213	\$ 245,561

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of El Paso, Inc. (the Organization) is a Texas nonprofit charitable corporation formed in 1984. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities:

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in El Paso, Texas, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room programs in Children's Hospital at Providence Memorial Hospital in El Paso, Texas, and Memorial Medical Center in Las Cruces, New Mexico serve as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

Basis of Presentation

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

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

Estimates

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

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization has not recorded an allowance for uncollectible receivables as of December 31, 2019 and 2018, respectively.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

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

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

The Organization maintains a master investment account for its donor-restricted endowment.

Property and Equipment

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

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

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets, Property and Equipment, and Services

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

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

Deferred Revenue

Income from long-term contracts is deferred and recognized over the periods to which the contracts relate.

Net Assets

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

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With Donor Restrictions

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

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Third-party Reimbursements

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, maintenance and repairs, rent, and utilities, which are allocated on a square footage basis; meetings, education and training, office supplies, payroll taxes, technology and telephone, which are allocated based on full-time equivalents; and salaries and wages, and employee benefits, which are allocated on the basis of management's estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 LIQUIDITY

The Organization has \$334,736 and \$290,652 of financial assets, as of December 31, 2019 and 2018, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section of the statement. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$58,000 and \$60,000, as of December 31, 2019 and 2018, respectively.

NOTE 3 CONTRIBUTIONS RECEIVABLE

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

	2019	2018
Amounts due in:		
Less than One Year	\$ 19,582	\$ 36,591
Total	19,582	36,591
Unamortized Discount	-	-
Allowance for Uncollectibles	-	-
Net Contributions Receivable	\$ 19,582	\$ 36,591

There was no discount rate used for the years ended December 31, 2019 and 2018.

NOTE 4 FAIR VALUE MEASUREMENTS

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

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

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

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

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
Assets					
Recurring					
Endowment Investments:					
Money Market Account	\$ -	\$ -	\$ -	\$ -	\$ 186,128
Mutual Funds:					
Domestic Equity	168,908	-	-	-	168,908
Bonds	31,260	-	-	-	31,260
Equity Securities:					
U.S. Corporate Equity Securities	<u>1,785,476</u>	-	-	-	<u>1,785,476</u>
	<u>1,985,644</u>	-	-	-	<u>2,171,772</u>
Beneficial Interest in Assets held by Community Foundation					
	-	-	<u>46,329</u>	-	<u>46,329</u>
	-	-	<u>46,329</u>	-	<u>46,329</u>
Total	<u>\$ 1,985,644</u>	<u>\$ -</u>	<u>\$ 46,329</u>	<u>\$ -</u>	<u>\$ 2,218,101</u>

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
Assets					
Recurring					
Endowment Investments:					
Money Market Account	\$ -	\$ -	\$ -	\$ -	\$ 76,688
Mutual Funds:					
Domestic Equity	132,450	-	-	-	132,450
Bonds	29,806	-	-	-	29,806
Equity Securities:					
U.S. Corporate Equity Securities	<u>1,629,530</u>	-	-	-	<u>1,629,530</u>
	<u>1,791,786</u>	-	-	-	<u>1,868,474</u>
Beneficial Interest in Assets held by Community Foundation					
	-	-	<u>46,329</u>	-	<u>46,329</u>
	-	-	<u>46,329</u>	-	<u>46,329</u>
Total Assets	<u>\$ 1,791,786</u>	<u>\$ -</u>	<u>\$ 46,329</u>	<u>\$ -</u>	<u>\$ 1,914,803</u>

RONALD MCDONALD HOUSE CHARITIES OF EL PASO
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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair values of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The Organization reviewed and evaluated the values and assumptions used in determining the fair value of Level 3 financial instruments. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2019	2018
Beginning Balance	\$ 46,329	\$ 47,304
Total Gains or Losses (Realized/Unrealized)		
Included in Changes in Net Assets	-	(975)
Purchases	-	-
Issues	-	-
Sales	-	-
Settlements	-	-
Ending Balance	\$ 46,329	\$ 46,329
Change in Unrealized Gains or Losses for the Period		
Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	\$ -	\$ (975)

Investments

Overall Investment Objective

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees which oversees the Organization's investment program in accordance with established guidelines.

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

	2019	2018
Interest and Dividend Income, Net	\$ 70,326	\$ 60,834
Realized and Unrealized Gains, Net	291,599	(117,757)
Investment Income, Net	\$ 361,925	\$ (56,923)

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NOTE 5 PROPERTY AND EQUIPMENT

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

	2019	2018
Land	\$ 455,243	\$ 455,243
Buildings and Improvements	1,456,357	1,456,357
Office Furniture and Equipment	400,171	404,202
Automobiles	29,406	29,406
Total, at Cost	2,341,177	2,345,208
Accumulated Depreciation	(1,023,578)	(994,713)
Total Property and Equipment	<u>\$ 1,317,599</u>	<u>\$ 1,350,495</u>

NOTE 6 BENEFICIAL INTEREST IN ASSETS IN EL PASO COMMUNITY FOUNDATION

In 1985, the Organization established an endowment fund with El Paso Community Foundation and named the Organization as the beneficiary. The irrevocable agreement grants variance power to the Community Foundation, which allows the Community Foundation to modify any condition or restriction on its distributions for any specified organization if, in the sole judgement of the Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Community Foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

NOTE 7 ENDOWMENT FUND

The Organization's endowment consists of one fund established by a donor to provide annual funding for the House.

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

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

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NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 487,500	\$ 487,500
Investment return, net	-	17,300	17,300
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(17,300)	(17,300)
Other Changes:			
Transfers to remove board-designated endowment funds	-	-	-
Transfers to create board-designated endowment funds	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 487,500</u>	<u>\$487,500</u>
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	487,500	487,500
Portion subject to appropriation under UPMIFA	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 487,500</u>	<u>\$ 487,500</u>

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NOTE 7 ENDOWMENT FUNDS (CONTINUED)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 487,500	\$ 487,500
Investment return, net	-	16,392	16,392
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(16,392)	(16,392)
Other Changes:			
Transfers to remove board-designated endowment funds	-	-	-
Transfers to create board-designated endowment funds	-	-	-
	-	-	-
Endowment net assets, end of year	\$ -	\$ 487,500	\$ 487,500
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	487,500	487,500
Portion subject to appropriation under UPMIFA	-	-	-
	-	-	-
Total funds	\$ -	\$ 487,500	\$ 487,500

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

**RONALD MCDONALD HOUSE CHARITIES OF EL PASO
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to expenditure for specific purpose:		
Program Activities:		
Ronald McDonald Family Room	\$ 1,962	\$ 2,187
Pharmacy Fund	7,631	8,042
Family Relocation	4,058	4,391
Technology equipment	9,094	-
	22,745	14,620
Subject to passage of time:		
For periods after December 31	-	-
Subject to the Organization's spending policy and appropriation:		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	487,500	487,500
Accumulated Gain (Losses)	-	-
	487,500	487,500
Total – Ronald McDonald House Operations	487,500	487,500
Total net assets with donor restrictions	\$ 510,245	\$ 502,120

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NOTE 9 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2019 and 2018:

	2019	2018
Purpose restrictions accomplished:		
Ronald McDonald House	\$ 17,300	\$ 30,568
Ronald McDonald Family Room	225	3,600
Pharmacy Fund	411	165
Family Relocation	333	609
Personnel Development	-	4,991
Technology Equipment	15,906	-
	<u>\$ 34,175</u>	<u>\$ 39,933</u>

NOTE 10 DONATED GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Landscaping Services	\$ 400	\$ 1,000
Printing Services	200	49
Retail Benefits	-	33
Accounting Services	3,000	-
Total	<u>\$ 3,600</u>	<u>\$ 1,082</u>

NOTE 11 TAX-DEFERRED ANNUITY PLAN

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes 50% of employee elective deferrals up to 6% of the active participant's compensation to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$4,537 and \$1,680 for the years ended December 31, 2019 and 2018, respectively.

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NOTE 12 OPERATING LEASES

The Organization has two non-cancelable operating leases, for equipment, that expire at various dates through 2024. Rental expense was \$11,401 and \$1,870 for each of the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 2,833
2021	2,587
2022	1,846
2023	<u>1,846</u>
Total	<u>\$ 9,112</u>

NOTE 13 TRANSACTIONS WITH RELATED ENTITIES

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, 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 \$89,270 and \$110,987, respectively, from these revenue streams.

NOTE 14 CONCENTRATIONS

In 2019 and 2018, the golf tournament generated 28% and 30% of the total revenues and support.

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NOTE 15 CHANGE IN ACCOUNTING PRINCIPLES

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements

NOTE 16 RECENT ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

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NOTE 17 COMMITMENTS

In 2019, we entered into an agreement with a fundraising consultant. The Program began April 1, 2019 and ends December 31, 2021. There are various fees for data management, print production direct mail packages, donation processing and postage. The fees are based upon annual budget and per piece.

In 2019, we entered into a marketing agreement with a financial services company. The agreement is effective April 29, 2019 and is for two years. We receive a one-time payment for a branded wrap to be placed on certain vehicles leased from the financial services company. We received the payment for the branded wrap and paid the car lease upfront.

NOTE 18 SUBSEQUENT EVENTS

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. However, subsequent to December 31, 2019, the investment and credit markets have experienced significant volatility. As a result, a substantial portion of the Organization's investments have experienced significant declines.

Subsequent to year end, the Organization applied for a \$58,307 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Management evaluated subsequent events through May 13, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.