

**RONALD MCDONALD HOUSE CHARITIES OF  
OKLAHOMA CITY, INC.**

**OKLAHOMA CITY, OKLAHOMA**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.  
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PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

*Founded in 1954*

## INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the Board of Directors  
Ronald McDonald House Charities of Oklahoma City, Inc.

We have audited the accompanying financial statements of Ronald McDonald House Charities of Oklahoma City, 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 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 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 Oklahoma City, 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.

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma  
December 9, 2020

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,217,120	\$ 3,404,048
Accounts Receivable, Net	24,217	48,289
Promises to Give for Program Expansion, Net	437,201	362,077
Prepaid Expenses	33,997	39,842
Cash Restricted for Program Expansion	2,333,874	2,416,577
Total Current Assets	6,046,410	6,270,833
<b>NONCURRENT ASSETS</b>		
Promises to Give for Program Expansion, Net	757,112	808,879
Operating Investments	684,938	572,772
Endowment Investments	2,194,202	1,834,589
Investments Restricted for Program Expansion	1,423,565	1,102,029
Property and Equipment, Net	2,429,360	1,141,498
Total Noncurrent Assets	7,489,176	5,459,767
Total Assets	\$ 13,535,586	\$ 11,730,600
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,441,641	\$ 126,759
Deferred Revenue	-	2,000
Total Current Liabilities	1,441,641	128,759
Total Liabilities	1,441,641	128,759
<b>NET ASSETS</b>		
Without Donor Restrictions	6,251,364	5,077,693
With Donor Restrictions	5,842,581	6,524,148
Total Net Assets	12,093,945	11,601,841
Total Liabilities and Net Assets	\$ 13,535,586	\$ 11,730,600

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

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**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
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 486,594	\$ 529,769	\$ 1,016,363	\$ 515,481	\$ 3,682,748	\$ 4,198,229
Special Events Revenue	363,216	77,875	441,091	352,741	100,123	452,864
Other Income	259,868	-	259,868	318,769	-	318,769
Net Assets Released from Restrictions	1,648,824	(1,648,824)	-	301,293	(301,293)	-
Total Revenues and Other Support	<u>2,758,502</u>	<u>(1,041,180)</u>	<u>1,717,322</u>	<u>1,488,284</u>	<u>3,481,578</u>	<u>4,969,862</u>
<b>EXPENSES</b>						
Program Services	921,245	-	921,245	969,895	-	969,895
Cost of Direct Benefits to Donors	60,290	-	60,290	36,772	-	36,772
Management and General Administration	368,590	-	368,590	316,863	-	316,863
Fundraising	460,467	-	460,467	480,906	-	480,906
Total Expenses	<u>1,810,592</u>	<u>-</u>	<u>1,810,592</u>	<u>1,804,436</u>	<u>-</u>	<u>1,804,436</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>947,910</u>	<u>(1,041,180)</u>	<u>(93,270)</u>	<u>(316,152)</u>	<u>3,481,578</u>	<u>3,165,426</u>
<b>GAIN ON SALE OF PROGRAM LOCATION</b>	-	-	-	1,267,426	-	1,267,426
<b>INVESTMENT INCOME, NET</b>	<u>225,761</u>	<u>359,613</u>	<u>585,374</u>	<u>(18,017)</u>	<u>(111,767)</u>	<u>(129,784)</u>
<b>CHANGE IN NET ASSETS</b>	1,173,671	(681,567)	492,104	933,257	3,369,811	4,303,068
Net Assets - Beginning of Year	<u>5,077,693</u>	<u>6,524,148</u>	<u>11,601,841</u>	<u>4,144,436</u>	<u>3,154,337</u>	<u>7,298,773</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,251,364</u>	<u>\$ 5,842,581</u>	<u>\$ 12,093,945</u>	<u>\$ 5,077,693</u>	<u>\$ 6,524,148</u>	<u>\$ 11,601,841</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services			Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald Family Room	Ronald McDonald House The Children's Hospital	Total				
Salaries	\$ 51,558	\$ 174,747	\$ 226,305	\$ 223,852	\$ 200,480	\$ -	\$ 650,637
Employee Benefits	5,992	11,473	17,465	10,477	24,452	-	52,394
Payroll Taxes	4,868	16,528	21,396	15,408	17,194	-	53,998
Total Salaries and Related Expenses	62,418	202,748	265,166	249,737	242,126	-	757,029
Advertising	-	-	-	-	28,019	-	28,019
Automobile	-	20	20	578	-	-	598
Cleaning Services and Supplies	273	20,109	20,382	-	-	-	20,382
Depreciation	24,873	78,138	103,011	3,204	1,068	-	107,283
Donor Recognition	-	-	-	-	1,861	-	1,861
Family Support Services and Supplies	1,604	301,754	303,358	-	-	-	303,358
Insurance	-	10,374	10,374	5,054	-	-	15,428
Maintenance and Repairs	-	250	250	-	-	-	250
Meetings, Education and Training	50	150	200	3,444	404	-	4,048
Office Supplies	69	1,202	1,271	679	1,693	-	3,643
Postage and Courier	-	-	-	449	7,037	-	7,486
Printing and Publishing	-	-	-	-	310	-	310
Professional Fees	-	-	-	43,990	105,716	-	149,706
Rent	41,234	90,000	131,234	20,000	-	-	151,234
Technology	673	2,105	2,778	3,652	6,509	-	12,939
Telephone	-	4,830	4,830	6,194	-	-	11,024
Travel, Meals, and Entertainment	-	15	15	2,938	749	60,290	63,992
Other	480	77,876	78,356	28,671	64,975	-	172,002
Total Expenses	\$ 131,674	\$ 789,571	\$ 921,245	\$ 368,590	\$ 460,467	\$ 60,290	\$ 1,810,592

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

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services				Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House Lottie	Ronald McDonald Family Room	Ronald McDonald House The Children's Hospital						
Salaries	\$ 11,730	\$ 52,516	\$ 215,115	\$ 279,361	\$ 211,501	\$ 155,384	\$ -	\$ 646,246	
Employee Benefits	419	3,576	15,785	19,780	9,847	9,046	-	38,673	
Payroll Taxes	1,167	5,033	18,741	24,941	14,761	13,491	-	53,193	
Total Salaries and Related Expenses	13,316	61,125	249,641	324,082	236,109	177,921	-	738,112	
Advertising	-	-	-	-	-	6,627	-	6,627	
Automobile	-	-	-	-	431	-	-	431	
Cleaning Services and Supplies	31	288	28,399	28,718	-	-	-	28,718	
Depreciation	-	25,696	78,238	103,934	4,150	1,412	-	109,496	
Donor Recognition	-	-	-	-	-	1,889	-	1,889	
Family Support Services and Supplies	207	3,152	262,291	265,650	-	-	-	265,650	
Insurance	3,879	-	8,420	12,299	2,896	-	-	15,195	
Maintenance and Repairs	-	-	1,503	1,503	321	-	-	1,824	
Meetings, Education and Training	-	-	820	820	1,476	1,636	-	3,932	
Office Supplies	253	280	2,062	2,595	4,707	6,504	-	13,806	
Postage and Courier	2,704	-	-	2,704	360	2,853	-	5,917	
Printing and Publishing	-	-	-	-	-	3,304	-	3,304	
Professional Fees	7,808	-	-	7,808	24,142	158,301	-	190,251	
Rent	-	41,233	90,000	131,233	18,333	-	-	149,566	
Technology	-	-	-	-	415	18,658	-	19,073	
Telephone	578	-	4,573	5,151	6,523	-	-	11,674	
Travel, Meals, and Entertainment	191	-	1,085	1,276	4,613	4,268	36,772	46,929	
Utilities	3,447	-	-	3,447	-	-	-	3,447	
Other	4,625	1,028	73,022	78,675	12,387	97,533	-	188,595	
Total Expenses	\$ 37,039	\$ 132,802	\$ 800,054	\$ 969,895	\$ 316,863	\$ 480,906	\$ 36,772	\$ 1,804,436	

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

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 492,104	\$ 4,303,068
Adjustments to Reconcile Change in Net Assets to Net Cash		
From (Used for) Operating Activities:		
Depreciation Expense	107,282	109,496
Net Unrealized (Gain)/Loss on Investments	(341,556)	281,782
(Gain)/Loss on Sale of Assets	-	(1,286,021)
Changes in Operating Assets and Liabilities:		
Receivables and Promises to Give	715	(640,034)
Prepaid Expenses	5,845	(10,808)
Accounts Payable, Accrued Liabilities, and Deferred Revenue	1,312,882	(4,664)
Net Cash Provided by (Used in) Operating Activities	1,577,272	2,752,819
<b>Cash Flows From Investing Activities</b>		
Purchases of Property and Equipment	(1,395,144)	(1,147)
Proceeds from Disposition of Property and Equipment	-	2,300,000
Purchases of Investments	(564,719)	(1,242,900)
Proceeds from Sales of Investments	112,960	280,508
Net Cash Provided by (Used in) Investing Activities	(1,846,903)	1,336,461
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	(269,631)	4,089,280
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	5,820,625	1,731,345
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	\$ 5,550,994	\$ 5,820,625
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Statements of Financial Position</b>		
Cash and Cash Equivalents	\$ 3,217,120	\$ 3,404,048
Cash Restricted for Program Expansion	2,333,874	2,416,577
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	\$ 5,550,994	\$ 5,820,625

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



**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Oklahoma City, Inc. (“RMHC-OKC” or the “Organization”) is an Oklahoma nonprofit charitable corporation formed in June 1980. The mission of Ronald McDonald House Charities (“RMHC” or “RMHC Global”) 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 RMHC-OKC.

**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 Oklahoma City, which provides 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.

In response to the growing demand for our services, RMHC-OKC conducted a community needs assessment with partner hospitals in 2016. Using historical and projected data provided by this assessment and a well-honed model from RMHC Global, we determined the number of families needing a place to stay for medical purposes would continue to grow significantly over the next 5-10 years. The assessment concluded our programs would need to grow from the current 28 room capacity to 76 rooms nightly.

Forty rooms, 12 more than our total existing capacity, would be needed to meet the projected demand for our services by families seeking treatment at The Children’s Hospital alone. Another 36 rooms would be needed to meet the needs of families seeking treatment at other partner hospitals.

As part of its strategic plan to help close the service gap, in 2017 the Board of Directors approved the sale of the Ronald McDonald House on NE 14<sup>th</sup> St, its consolidation with and expansion of the Ronald McDonald House at The Children’s Hospital, and authorized an \$8.8M campaign to build a new 36 bedroom Ronald McDonald House in Northwest Oklahoma City. Up to 14 families nightly are temporarily being served in a nearby hotel to maintain capacity until the consolidation and expansion of the Ronald McDonald House at The Children’s Hospital are completed.

The sale of the Ronald McDonald House on NE 14<sup>th</sup> St was completed in 2018 for a purchase price of \$2,300,000. In conjunction with this sale, the Organization recognized

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

a gain of \$1,286,021 and incurred related legal/selling expenses of \$18,595, for a net recognized gain of \$1,267,426, shown in the statements of activities.

**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 program in The Children's Hospital serves 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 and reported in the statements of activities as net assets released from 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.

**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 and the gain on the sale of the program location.

**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.

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. If necessary, 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. Management believes that all accounts are fully collectible and that no allowance for uncollectible receivables is necessary as of both December 31, 2019 and 2018.

**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. Promises to give are written off when deemed uncollectible.

**Investments**

The Organization carries investments (or participates in master investment accounts) 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.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Purchases of \$5,000 or more are capitalized. Purchases less than \$5,000 and 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	20 - 50 Years
Office Furniture and Equipment	3 - 10 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 OKLAHOMA CITY, INC.**  
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**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.

**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.

**Revenue Recognition**

**Contributions and Grants**

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. 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.

**Sponsorship and Special Event Revenue**

The portion of revenue from sponsorships, special events, and ticket sales that relates to the commensurate value the sponsor or attendee receives in return is recognized when the related events are held and performance obligations are met.

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**Functional Expenses**

The statements of functional expenses report actual expenses that do not require allocation.

**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.

**NOTE 2 LIQUIDITY**

The Organization had \$3,275,334 of financial assets, as of December 31, 2019, available to meet cash needs for general expenditures within one year of the statement of financial position date, which consisted of the current assets per the statement of financial position, reduced by \$2,333,874 cash and \$437,201 current contributions receivable not available for general use because of donor-imposed restrictions.

The Organization had \$3,492,179 of financial assets, as of December 31, 2018, available to meet cash needs for general expenditures within one year of the statement of financial position date, which consisted of the current assets per the statement of financial position, reduced by \$2,416,577 cash and \$362,077 current contributions receivable not available for general use because of donor-imposed restrictions.

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments. In addition, the Organization maintains an operating reserve that allows for annual spending.

**NOTE 3 PROMISES TO GIVE**

Unconditional promises to give are estimated to be collected as follows at December 31:

	2019	2018
Amounts due in:		
Less than One Year	\$ 437,201	\$ 362,077
One to Five Years	783,568	857,231
Total	1,220,769	1,219,308
Unamortized Discount	(26,456)	(48,352)
Net Promises to Give	\$ 1,194,313	\$ 1,170,956

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**  
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The discount rate used for the years ended December 31, 2019 and 2018 ranged from 2.08% to 2.76%.

**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.

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)	Total
<b>Assets</b>				
Investments:				
Mutual Funds:				
Money Market	\$ 293,108	\$ -	\$ -	\$ 293,108
Bonds	789,969	-	-	789,969
Equity Funds	2,007,532	-	-	2,007,532
Debt Securities:				
U.S. Treasury	1,212,096	-	-	1,212,096
Total Assets	<u>\$ 4,302,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,302,705</u>

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

<b>Assets</b>	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Mutual Funds:				
Money Market	\$ 281,054	\$ -	\$ -	\$ 281,054
Bonds	753,224	-	-	753,224
Equity Funds	1,574,210	-	-	1,574,210
Debt Securities:				
U.S. Treasury	900,902	-	-	900,902
Total Assets	<u>\$ 3,509,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,509,390</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. 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.

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 Directors 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	\$ 243,818	\$ 151,998
Realized and Unrealized Gains, Net	341,556	(281,782)
Investment Income, Net	<u>\$ 585,374</u>	<u>\$ (129,784)</u>

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**NOTE 5 PROPERTY AND EQUIPMENT**

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

	2019	2018
Buildings and Improvements	\$ 1,431,088	\$ 1,431,088
Construction in Progress	1,424,676	36,140
Office Furniture and Equipment	317,400	310,792
Automobiles	31,359	31,359
Total, at Cost	3,204,523	1,809,379
Accumulated Depreciation	(775,163)	(667,881)
Total Property and Equipment	<u>\$ 2,429,360</u>	<u>\$ 1,141,498</u>

**NOTE 6 ENDOWMENT FUNDS**

The Organization's endowment consists of an individual fund established by a donor to provide annual funding for specific activities and general operations.

Absent explicit donor stipulations to the contrary, the Board of Directors 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

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies for endowment funds that facilitate its ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return that is consistent with historical returns of assets allocated 60% equity and 40% fixed income and non-equity investments. Actual returns in any given year are dependent on market conditions and other factors, and they may



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vary from the expected investment return.

To satisfy its long-term rate-of-return objectives, the Organization relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization's investment policy relating to its investment objectives allocates its assets through a prudent diversification that includes equity, fixed income, and non-equity investments. The policy allows portions of the endowment portfolio in excess of permanently restricted amounts to be split into a separate portfolio where it may be appropriated for expenditures approved by the Board of Directors.

*Spending Policy – Donor-restricted endowment.* The Organization has a policy of making available for appropriation a maximum five percent of its endowment fund's average fair value over the prior eight quarters through the calendar year end proceeding the year in which the distribution is planned. This spending policy is consistent with the objective to preserve purchasing power of the endowment assets held as well as to allow for additional real growth through new gifts and investment return.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,834,589	\$ 1,834,589
Investment return, net	-	359,613	359,613
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,194,202</u>	<u>\$ 2,194,202</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,955,785	\$ 1,955,785
Investment return, net	-	(121,196)	(121,196)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,834,589</u>	<u>\$ 1,834,589</u>

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*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.

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2019	2018
<b>Subject to expenditure for specific purpose:</b>		
Program Activities:		
Program Expansion – Ronald McDonald House at The Children’s Hospital	\$ 1,057,814	\$ 2,448,211
Program Expansion - NW OKC	2,590,565	2,241,348
Endowment Funds Yet to be Appropriated for Expenditure	1,695,387	1,335,774
	5,343,766	6,025,333
 <b>Subject to the Organization’s spending policy and appropriation:</b>		
Other Restrictions:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	498,815	498,815
Total net assets with donor restrictions	\$ 5,842,581	\$ 6,524,148

**NOTE 8 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:		
Program Expansion – Ronald McDonald House at The Children’s Hospital	\$ 1,390,396	\$ 1,889
Program Expansion - NW OKC	171,121	199,281
Share-a-Night	77,875	100,123
Other	9,432	-
Total restrictions released	\$ 1,648,824	\$ 301,293

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**NOTE 9 DONATED GOODS AND SERVICES**

Individuals, businesses, and other organizations contribute substantial amounts of materials toward the fulfillment of the Organization's mission. To the extent that contributions of materials are made under the control of RMHC-OKC and are objectively measurable, they are reflected in contributions, program expense and property in the accompanying financial statements. These materials have been valued at their estimated fair market value at the date of receipt. During 2019, the Organization received food and meal donations totaling \$41,718 from volunteers who provided 252 meals and 97 donations to the pantry.

The Organization entered into an agreement with OU Medicine Inc. to lease the space of the Family Room in The Children's Hospital. The space consists of 2,499 square feet, which consists of respite room for families of patients at The Children's Hospital. Rent expense of \$41,234 each year in 2019 and 2018 is reported as an in-kind donation income and rent expense. The lease agreement expired on December 31, 2016 and is extended through automatic one-year extension terms as provided in the lease agreement.

The Organization entered into an agreement with UHAT (University Hospitals Authority & Trust) to lease the space for the 14 bedroom Ronald McDonald House on the 3<sup>rd</sup> Floor of Garrison Tower. The space consists of 10,077 square feet, which consists of lodging and other amenities for families of patients at The Children's Hospital. Rent expense of \$90,000 each year in 2019 and 2018 is reported as an in-kind donation income and rent expense. The lease agreement expires on January 6, 2020 and management intends to exercise the option of a five year renewal as provided in the lease agreement.

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
Program Expenses	\$ 81,759	\$ 132,297
Red Shoe Gala Auction	41,718	50,546
Rent	131,234	131,234
Total	<u>\$ 254,711</u>	<u>\$ 314,077</u>

**NOTE 10 TRANSACTIONS WITH RELATED ENTITIES**

RMHC is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. RMHC-OKC is an independent operating Chapter within the system. Each Chapter is licensed by McDonald's Corporation and RMHC Global 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.

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

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RMHC Global, as defined by the license agreement. During the years ended December 31, 2019 and 2018, the Organization received \$129,914 and \$172,339, respectively, from these revenue streams.

In 2018, RMHC-OKC received an expansion grant from RMHC Global in the amount of \$2,400,000. This grant is restricted for the expansion of Ronald McDonald House at The Children's Hospital.

Accounts receivable due from related parties included in receivables at December 31, 2019 and 2018 was \$24,219 and \$42,988, respectively.

After 100% participation by all employees and board members in the Northwest Oklahoma City program expansion campaign, amounts due from employees and board members included in promises to give at December 31, 2019 and 2018 were \$84,120 and \$141,780, respectively.

During 2018, RMHC-OKC entered into a lease agreement for temporary office space with a related party. Under this agreement, the Organization paid or will pay monthly rent of \$1,667 for the period February 1, 2018 through January 31, 2019 and then will continue on a month-to-month basis until construction has been completed.

**NOTE 11 SUBSEQUENT EVENTS**

Management evaluated subsequent events through December 9, 2020, the date the financial statements were available to be issued.

In early 2020, the COVID-19 pandemic resulted in federal stimulus to the economy, new regulatory mandatory paid leave, record unemployment filings, and losses in financial markets. The impact to the Organization's operations and future financial statements is not yet determinable.

In April 2020, the Organization was granted a loan (the "Loan") in the aggregate amount of \$129,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and other costs as stipulated in the Loan. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization has spent the entire Loan amount for qualifying expenses. As such, the Organization expects the Loan to be fully forgiven.

**NOTE 12 RECENT ACCOUNTING PRONOUNCEMENTS**

**Revenue from Contracts with Customers**

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services 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 guidance also requires expanded disclosures

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relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one or two methods. The standard will be effective for the Organization for the year ending December 31, 2020. Early adoption is permitted. Management is evaluating the impact, if any, of the amended revenue recognition guidance on the Organization's financial statements.

**Clarifying Scope and the Accounting Guidance for Contributions**

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for the year ending December 31, 2020. Early adoption is permitted. Management is evaluating the impact, if any, of this guidance on the Organization's financial statements.

**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, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.