

• **Financial Statements**

• **RONALD MCDONALD HOUSE CHARITIES
OF NORTHWEST OHIO, INC.**

• December 31, 2019 and 2018



RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ronald McDonald House Charities of Northwest Ohio, Inc.
3883 Monroe St
Toledo, Ohio 43606

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northwest Ohio, Inc. (a nonprofit corporation), 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.

Board of Directors
Ronald McDonald House Charities of Northwest Ohio, Inc.
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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 Northwest Ohio, 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.

GBQ Partners LLC

Sylvania, Ohio
July 22, 2020

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 145,231	\$ 468,187
Accounts Receivable	121,706	353,717
Prepaid Expenses	-0-	21,160
Investments	2,257,916	1,976,896
Property and Equipment, Net	7,517,452	7,743,404
Beneficial Use of Land, Net	<u>1,404,418</u>	<u>1,419,267</u>
TOTAL ASSETS	<u>\$ 11,446,723</u>	<u>\$ 11,982,631</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 54,685	\$ 160,910
Line of Credit	143,500	220,100
Note Payable	<u>1,412,723</u>	<u>1,622,976</u>
TOTAL LIABILITIES	1,610,908	2,003,986

NET ASSETS

Without Donor Restrictions:		
Undesignated	6,326,559	6,014,244
Board Designated - Collateral for Building Loan	<u>1,500,000</u>	<u>1,500,000</u>
Total Without Donor Restrictions	7,826,559	7,514,244
With Donor Restrictions	<u>2,009,256</u>	<u>2,464,401</u>
TOTAL NET ASSETS	<u>9,835,815</u>	<u>9,978,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,446,723</u>	<u>\$ 11,982,631</u>

**"The Accompanying Notes are an Integral
Part of These Financial Statements"**

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,093,295	\$ 27,193	\$ 1,120,488
Special Events Revenue	138,494	28,395	166,889
Less: Direct Benefit Costs	<u>76,820</u>	<u>-0-</u>	<u>76,820</u>
Net Revenue from Special Events	61,674	28,395	90,069
RMH Room Donation/Fees	6,964	-0-	6,964
Other Income	7,282	-0-	7,282
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	66,253	(66,253)	-0-
Expiration of Time Restrictions	14,848	(14,848)	-0-
Satisfaction of Property Aquisition Restrictions	<u>429,632</u>	<u>(429,632)</u>	<u>-0-</u>
Total Net Assets Released from Restrictions	<u>510,733</u>	<u>(510,733)</u>	<u>-0-</u>
TOTAL REVENUES AND OTHER SUPPORT	1,679,948	(455,145)	1,224,803
 EXPENSES			
Program Services	1,310,128	-0-	1,310,128
Supporting Services:			
Management and General	247,431	-0-	247,431
Fundraising	189,921	-0-	189,921
Unallocated Payments to RMHC Global	<u>191</u>	<u>-0-</u>	<u>191</u>
TOTAL EXPENSES	<u>1,747,671</u>	<u>-0-</u>	<u>1,747,671</u>
 CHANGE IN NET ASSETS FROM OPERATIONS			
	(67,723)	(455,145)	(522,868)
 INVESTMENT GAIN, NET			
	<u>380,038</u>	<u>-0-</u>	<u>380,038</u>
 CHANGE IN NET ASSETS			
	312,315	(455,145)	(142,830)
 NET ASSETS - BEGINNING OF YEAR			
	<u>7,514,244</u>	<u>2,464,401</u>	<u>9,978,645</u>
 NET ASSETS - END OF YEAR			
	<u>\$ 7,826,559</u>	<u>\$ 2,009,256</u>	<u>\$ 9,835,815</u>

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RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 940,955	\$ 434,557	\$ 1,375,512
Special Events Revenue	169,793	53,684	223,477
Less: Direct Benefit Costs	<u>112,536</u>	<u>-0-</u>	<u>112,536</u>
Net Revenue from Special Events	57,257	53,684	110,941
RMH Room Donation/Fees	9,036	-0-	9,036
Other Income	8,999	-0-	8,999
Loss on Sale of Property and Equipment	(3,946)	-0-	(3,946)
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	93,798	(93,798)	-0-
Expiration of Time Restrictions	14,849	(14,849)	-0-
Removal of Restrictions by Donor	500,000	(500,000)	-0-
Satisfaction of Property Aquisition Restrictions	<u>38,659</u>	<u>(38,659)</u>	<u>-0-</u>
Total Net Assets Released from Restrictions	<u>647,306</u>	<u>(647,306)</u>	<u>-0-</u>
TOTAL REVENUES AND OTHER SUPPORT	1,659,607	(159,065)	1,500,542
EXPENSES			
Program Services	1,222,011	-0-	1,222,011
Supporting Services:			
Management and General	297,164	-0-	297,164
Fundraising	194,956	-0-	194,956
Unallocated Payments to RMHC Global	<u>23,573</u>	<u>-0-</u>	<u>23,573</u>
TOTAL EXPENSES	<u>1,737,704</u>	<u>-0-</u>	<u>1,737,704</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(78,097)	(159,065)	(237,162)
INVESTMENT LOSS, NET	<u>(168,231)</u>	<u>-0-</u>	<u>(168,231)</u>
CHANGE IN NET ASSETS	(246,328)	(159,065)	(405,393)
NET ASSETS - BEGINNING OF YEAR	<u>7,760,572</u>	<u>2,623,466</u>	<u>10,384,038</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,514,244</u></u>	<u><u>\$ 2,464,401</u></u>	<u><u>\$ 9,978,645</u></u>

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RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019, With Comparative 2018 Total

	<u>Program Services</u>	<u>Supporting Services</u>		<u>2019</u>	<u>2018</u>
	<u>House</u>	<u>Management</u>	<u>Fundraising</u>		
	<u>Operations</u>	<u>and General</u>			
Salaries and Wages	\$ 456,657	\$ 70,491	\$ 85,815	\$ 612,963	\$ 514,694
Employee Health and Retirement Benefits	57,815	8,924	10,865	77,604	61,332
Payroll Taxes	41,171	6,355	7,737	55,263	48,260
Total Salaries and Related Expenses	555,643	85,770	104,416	745,830	624,286
Automobile Expense	3,230	-0-	-0-	3,230	12,802
Bank Charges	-0-	11,922	-0-	11,922	6,888
Cleaning Services and Supplies	258	-0-	-0-	258	-0-
Collection Canisters	-0-	-0-	2,577	2,577	24,277
Contract Service Expense	48,808	20,918	-0-	69,725	50,373
Depreciation	370,284	23,635	-0-	393,919	378,880
Direct Mail	-0-	-0-	-0-	-0-	27,559
Dues and Subscriptions	607	5,465	-0-	6,072	3,451
Food	45,735	-0-	-0-	45,735	37,460
Fundraising	-0-	-0-	37,187	37,187	7,407
Hotel Expense	1,700	-0-	-0-	1,700	535
House Supplies	36,027	-0-	-0-	36,027	23,126
Insurance	29,533	1,885	-0-	31,418	27,654
Interest Expense	66,250	-0-	-0-	66,250	72,805
Maintenance and Repairs	30,553	1,950	-0-	32,503	21,500
Meetings/Training/Seminars	6,219	1,777	888	8,884	11,640
Office Supplies	2,263	1,320	189	3,783	4,028
Other Expenses	18,209	1,162	-0-	19,371	6,038
Postage	387	516	1,221	2,124	2,862
Printing/Publishing	2,701	-0-	21,852	24,553	13,341
Professional Fees	2,331	62,714	4,518	69,564	153,348
Programs	1,477	-0-	-0-	1,477	52,180
Public Relations	11,103	7,981	15,614	34,698	47,334
Rent - Land	-0-	14,848	-0-	14,848	14,848
Rentals Equipment	10,877	1,360	1,360	13,596	12,242
Taxes and Licenses	(2,305)	(148)	-0-	(2,464)	2,452
Telephone	17,719	1,131	-0-	18,850	15,700
Utilities	50,519	3,225	-0-	53,744	58,169
Volunteer Recognition	-0-	-0-	99	99	946
Total Functional Expenses	<u>\$ 1,310,128</u>	<u>\$ 247,431</u>	<u>\$ 189,921</u>	1,747,480	1,714,131
Unallocated Payments to RMHC Global				<u>191</u>	<u>23,573</u>
Total Expenses				<u>\$ 1,747,671</u>	<u>\$ 1,737,704</u>

"The Accompanying Notes are an Integral Part of These Financial Statements"

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018, With Comparative 2017 Total

	Program Services	Supporting Services		2018 Total	2017 Total
	House Operations	Management and General	Fundraising		
Salaries and Wages	\$ 383,447	\$ 59,190	\$ 72,057	\$ 514,694	\$ 509,783
Employee Health and Retirement Benefits	45,692	7,053	8,587	61,332	70,233
Payroll Taxes	35,954	5,550	6,756	48,260	41,625
Total Salaries and Related Expenses	465,093	71,793	87,400	624,286	621,641
Automobile Expense	12,802	-0-	-0-	12,802	22,449
Bank Charges	-0-	6,888	-0-	6,888	9,184
Cleaning Services and Supplies	-0-	-0-	-0-	0	95
Collection Canisters	-0-	-0-	24,277	24,277	13,711
Contract Service Expense	35,261	15,112	-0-	50,373	32,953
Depreciation	356,147	22,733	-0-	378,880	377,718
Direct Mail	-0-	-0-	27,559	27,559	74,195
Dues and Subscriptions	345	3,106	-0-	3,451	3,708
Food	37,460	-0-	-0-	37,460	46,917
Fundraising	-0-	-0-	7,407	7,407	8,646
Hotel Expense	535	-0-	-0-	535	-0-
House Supplies	23,126	-0-	-0-	23,126	57,985
Insurance	25,995	1,659	-0-	27,654	37,925
Interest Expense	72,805	-0-	-0-	72,805	59,503
Maintenance and Repairs	20,210	1,290	-0-	21,500	19,506
Meetings/Training/Seminars	8,148	2,328	1,164	11,640	8,633
Office Supplies	2,417	1,410	201	4,028	5,448
Other Expenses	5,676	362	-0-	6,038	10,246
Postage	521	695	1,646	2,862	3,810
Printing/Publishing	1,468	-0-	11,873	13,341	28,172
Professional Fees	5,139	138,250	9,959	153,348	73,580
Programs	52,180	-0-	-0-	52,180	16,263
Public Relations	15,147	10,887	21,300	47,334	50,082
Rent - Land	-0-	14,848	-0-	14,848	14,848
Rentals Equipment	9,794	1,224	1,224	12,242	11,377
Taxes and Licenses	2,305	147	-0-	2,452	1,799
Telephone	14,758	942	-0-	15,700	14,185
Utilities	54,679	3,490	-0-	58,169	57,055
Volunteer Recognition	-0-	-0-	946	946	4,489
Total Functional Expenses	<u>\$ 1,222,011</u>	<u>\$ 297,164</u>	<u>\$ 194,956</u>	1,714,131	1,686,123
Unallocated Payments to RMHC Global				<u>23,573</u>	<u>30,542</u>
Total Expenses				<u>\$ 1,737,704</u>	<u>\$ 1,716,665</u>

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RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	(\$ 142,830)	(\$ 405,393)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Contributions Restricted	(27,193)	(434,557)
Depreciation	393,919	378,880
Amortization of Debt Issuance Costs	-0-	6,972
Amortization of Beneficial Use of Land	14,849	14,850
Loss on Sale of Property & Equipment	-0-	3,946
Net Realized and Unrealized (Gains) Losses on Investments	(330,127)	213,665
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:		
Accounts Receivable	232,011	214,226
Prepaid Expenses and Other Assets	21,160	(20,760)
Accounts Payable and Accrued Expenses	(106,225)	99,228
Total Adjustments	<u>198,394</u>	<u>476,450</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 55,564	 71,057
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(57,500)	(156,146)
Proceeds from Sales of Investments	106,607	172,404
Purchases of Construction in Progress	-0-	(119,700)
Purchases of Property and Equipment	(167,967)	(30,763)
Proceeds from Sale of Property and Equipment	<u>-0-</u>	<u>960</u>
 NET CASH USED IN INVESTING ACTIVITIES	 (118,860)	 (133,245)

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RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
STATEMENTS OF CASH FLOWS, CONTINUED
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments on) Line of Credit	(76,600)	220,100
Payments on Note Payable	(210,253)	(230,000)
Collection of Contributions Restricted	<u>27,193</u>	<u>434,557</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(259,660)</u>	<u>424,657</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(322,956)	362,469
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>468,187</u>	<u>105,718</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 145,231</u>	<u>\$ 468,187</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	<u>2019</u>	<u>2018</u>
Cash paid during the year for:		
Interest	\$ 66,500	\$ 60,500

**"The Accompanying Notes are an Integral
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RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Northwest Ohio, Inc. (the "Organization") was formed in 1981 to own and operate the Ronald McDonald House of Northwest Ohio. The Organization is committed to providing temporary, homelike accommodations and to enrich the lives of children by providing comfort, care and support to families in Northwest Ohio, Southeast Michigan and beyond.

Basis of Accounting

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).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated, from net assets without donor restrictions, net assets to serve as collateral for the loan on its facility.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions. These restrictions expire when the assets are placed in service. The Organization's donor-restricted endowment fund, which is required to be maintained in perpetuity, is classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The most significant areas involving the use of management's estimates and assumptions are depreciation of property and equipment, fair value of investments and the allocation of expenses to program services, management and general, and fundraising activities. Actual results could differ from those estimates.

Cash and 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 (FDIC) 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. Cash equivalents, consisting of money market funds, amounted to \$6,135 and \$40,510 at December 31, 2019 and 2018, respectively.

Accounts Receivable

Accounts receivable primarily consist of contributions resulting from fundraising activities. Management establishes a reserve for losses on its receivables based on current aging of receivables, a specific review of potential bad debts and historic loss experience.

Unconditional promises to give totaled \$121,706 and \$353,717 as of December 31, 2019 and 2018, respectively. Amounts due are as follows:

	<u>2019</u>	<u>2018</u>
Less Than One Year	\$65,144	\$324,485
One - Five Years	54,062	29,232
More Than Five Years	<u>2,500</u>	<u>-0-</u>
Total	<u>\$121,706</u>	<u>\$353,717</u>

Investments

Investments consist of mutual funds and are recorded at fair value. Fair value is determined based upon quoted market values of the funds. Investment securities acquired by gift or bequest are recorded at fair value on the date of gift and such amount is considered the cost of the security. Any realized gain or loss on sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses, is allocated among net assets without donor restrictions and net assets with donor restrictions, based on donor restrictions or the absence thereof.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

Building and Improvements	20-39 Years
Leasehold Improvements	15 Years
Furniture and Equipment	5-20 Years
Computer Hardware and Software	3-7 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.

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.

Debt Issuance Costs

Debt issuance costs are reported as a direct deduction from the face amount of the related borrowings and are amortized using the effective interest method over the life of the debt. Amortization is reported as a component of interest expense.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

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. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing program activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated primarily consist of occupancy and related expenses, which are allocated based on an estimate of the space occupied by each function, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Management considers its method of allocation to be equitable.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "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. The Organization's policy is to classify interest and penalties recognized in connection with income tax matters in interest expense and management and general expense, respectively.

Concentration of Credit Risk

The Organization receives revenues primarily from contributors in Northwest Ohio and Southeast Michigan. The Organization received contributions of \$224,500 from two donors and \$351,900 from a single donor during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, \$-0- and \$250,000 was receivable from a single contributor.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

Management has evaluated events and transactions from December 31, 2019 through July 22, 2020 for possible recognition or disclosure in these financial statements. This date is the date these financial statements were available to be issued. See Note 14 regarding disclosure of subsequent events.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other commitments while maximizing the investment of its excess operating cash. The Organization's financial assets available within one year of the statement of financial position are as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 145,231	\$ 468,187
Investments	1,693,684	1,412,664
Accounts Receivable	<u>65,144</u>	<u>298,712</u>
Total	<u>\$1,904,059</u>	<u>\$2,179,563</u>

Investments represent the portion of the Organization's investment portfolio which are not part of its endowment of \$564,232, which is restricted in perpetuity. While it is the Organization's intent to maintain its investment portfolio on a long-term basis, investments are readily marketable and could be converted to cash if necessary.

Accounts Receivable represents pledges expected to be collected within one year of the statement of financial position date that are free of any restriction that would limit their availability for general expenditure.

The Organization anticipates covering the majority of its general operating expenditures by collecting sufficient donations and other support. The Organization's operating expenditures average approximately \$146,000 per month. The financial assets above are sufficient to support the Organization's operating expense for approximately thirteen months.

NOTE 3 - 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:

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 3 - FAIR VALUE MEASUREMENTS, Continued

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

Level 2 - Valuations based on quotes 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.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments at December 31, 2019 and 2018.

The fair values of assets measured on a recurring basis as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$2,257,916</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$2,257,916</u>
	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$1,976,896</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,976,896</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 values of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The Organization did not have any securities classified as Level 2 or Level 3 at December 31, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income	\$ 55,083	\$ 51,011
Realized and Unrealized Gains (Losses), Net	330,127	(213,665)
Less: Investment Expenses	<u>(5,172)</u>	<u>(5,577)</u>
Investment Gain (Loss), Net	<u>\$380,038</u>	<u>(\$168,231)</u>

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$1,154,969	\$1,154,969
Building and Improvements	7,250,143	7,018,143
Furniture and Equipment	586,198	536,630
Computer Hardware and Software	111,606	105,506
Construction in Progress	<u>-0-</u>	<u>119,700</u>
Total Property and Equipment	9,102,916	8,934,948
Less Accumulated Depreciation	(1,585,464)	(1,191,544)
Net Property and Equipment	<u>\$7,517,452</u>	<u>\$7,743,404</u>

Donated property and equipment amounted to \$-0- in both 2019 and 2018.

NOTE 5 - BENEFICIAL USE OF LAND

In August 2015, the Organization entered into a lease agreement with The Toledo Hospital (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The initial term of the lease was for a 99-year period that ends on August 31, 2114, with an aggregate annual base rent of \$1.00. An independent appraisal determined that the fair value of the space at the time of inception was \$1,470,000. The annual rental value was estimated to be approximately \$147,000 per year. In connection with this lease agreement, the Organization recorded a restricted contribution in 2015 in the amount of \$1,470,000. The value remaining on the use of land is \$1,404,418 and \$1,419,267 as of December 31, 2019 and 2018, respectively. Rent expense associated with the use of land is being recognized on a straight line basis over term of the lease. For the years ended December 31, 2019 and 2018, rent expense of \$14,848 was recorded in connection with this lease agreement.

NOTE 6 - LINE OF CREDIT

In 2017, the Company entered into an agreement with the bank for a demand line of credit in the amount of \$250,000 for its working capital requirements. Interest on amounts borrowed is payable monthly at the greater of 4.00% or the bank's prime rate (effective rate of 5.50% at December 31, 2019 and 2018). The line is secured by assignment of pledges, marketable securities, and business assets. Amounts borrowed under this line was \$143,500 and \$220,100 at December 31, 2019 and 2018, respectively.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 7 - NOTE PAYABLE

Note Payable consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Multi-draw time note with a bank under which the Organization may borrow up to \$3,750,000 at a variable rate of LIBOR plus 1.25% (effective rate of 3.63% and 3.71% at December 31, 2019 and 2018, respectively). The note requires monthly interest-only payments until maturity at August 6, 2021. It is secured by assignment of pledges, marketable securities, business assets and a leasehold mortgage.	<u>\$1,412,723</u>	<u>\$1,622,976</u>
Total Note Payable, Net of Unamortized Debt Issuance Costs	<u>\$1,412,723</u>	<u>\$1,622,976</u>

NOTE 8 - CONTRIBUTED SERVICES

The Organization receives contributed services (primarily laundry, maintenance, and security services), and materials, the value of which is reflected in the accompanying financial statements as contributions revenue. Management estimated that the value of contributed services and materials received was \$128,700 and \$182,000 during 2019 and 2018, respectively.

NOTE 9 - MARATHON CLASSIC

The Organization has a nonbinding agreement with the sponsor of the Marathon Classic LPGA golf tournament, under which the sponsor donates a percentage of the net proceeds of the event to the Organization. Proceeds from the golf tournament, which are without donor restrictions, of \$50,000 are included in other contributions for each of the years ended December 31, 2019 and 2018.

NOTE 10 - BENEFIT PLAN

The Organization sponsors a 401(k) Plan covering all employees with at least one year of service. The plan provides for discretionary nonelective and matching contributions. The directors authorized nonelective 3% and matching 2% contributions for 2019 and 2018. Contribution expense relating to this plan aggregated \$19,580 in 2019 and \$17,052 in 2018.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 11 - RELATED PARTY TRANSACTIONS

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RHMC system. Each chapter is licensed by McDonald’s Corporation and Ronald McDonald House Charities, Inc. to use RHMC 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. Beginning in 2019, RMHC Global receives all proceeds of fund-raising events sponsored and supported by RMHC Global, including canister donations, and remits a portion of the proceeds to the Organization. Prior to 2019, the Organization was required to remit to RMHC Global 25% of revenues received locally from fund-raising events sponsored and supported by RMHC Global. The Organization’s remittances to RMHC Global were \$191 and \$23,573 in 2019 and 2018. The Organization owed RMHC Global \$-0- and \$4,961 as of December 31, 2019 and 2018, respectively. The Organization received contributions of \$94,485 and \$351,885 from RMHC Global in 2019 and 2018, respectively. The Organization’s receivables from RMHC Global were \$-0- and \$7,200 as of December 31, 2019 and 2018, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purposes:		
Purchase of Capital Assets	\$ -0-	\$ 418,939
Family Support	33,399	60,940
Other	<u>7,206</u>	<u>1,023</u>
	\$ 40,605	\$ 480,902
Subject to the Passage of Time:		
Beneficial Use of Land (Note 5)	\$1,404,419	\$1,419,267
Not Subject to Appropriation or Expenditure:		
Endowment to be Maintained in Perpetuity (Note 13)	<u>564,232</u>	<u>564,232</u>
	<u>\$2,009,256</u>	<u>\$2,464,401</u>

Net assets with donor restrictions include endowment fund assets to be held indefinitely. The income from the assets can be spent on Ronald McDonald House operations.

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS, Continued

Net assets were released from restrictions as follows:

	<u>2019</u>	<u>2018</u>
Program Restrictions Accomplished:		
Program Expenses	\$ 66,253	\$ 93,798
Equipment Acquired and Placed in Service	429,632	38,659
Removal of Restrictions by Donor	<u>-0-</u>	<u>500,000</u>
	\$495,885	\$632,457
Expiration of Time Restrictions:		
Beneficial Use of Land	<u>14,848</u>	<u>14,849</u>
Total Net Assets Released from Restriction	<u>\$510,733</u>	<u>\$647,306</u>

NOTE 13 - ENDOWMENTS

The Organization's endowments consist of donor restricted endowment funds established to support the operating expenses of the Organization.

Interpretation of Relevant Law

The Organization is subject to the Ohio Uniform Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 13 - ENDOWMENTS, Continued

In accordance with SPMIFA, 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 fund.
2. The purpose of the Organization and the donor-restricted endowment fund.
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 investment policies of the Organization.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets that attempts to achieve a long-term rate of return on assets that meets or exceeds the Spending Policy for Operations (Spending Policy) rate plus inflation plus expenses. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the investment policy.

Spending Policy

In October 2008, the Organization approved a Spending Policy to determine an annual amount to be withdrawn from the cumulative return of endowment funds to support the activities of the operating fund. The Spending Policy, which was effective January 1, 2009, was also designed to provide support for the operations of future years and to offset potential market declines. As the earnings on the endowment funds are not restricted as for use, the Organization withdraws and expends investment earnings for operating activities.

Strategies Employed for Achieving Objectives

Based on the Organization's time horizon, risk tolerance, performance expectations, and asset class preferences, an efficient or optimal portfolio was identified. The Organization targets a diversified asset allocation that has a balance of both fixed income and equity securities to achieve its long-term objective within prudent risk constraints.

The following summarizes endowment net asset composition by type of fund as of December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor Restricted Endowment Funds	<u>\$ -0-</u>	<u>\$ 564,232</u>	<u>\$ 564,232</u>

RONALD MCDONALD HOUSE CHARITIES OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended December 31, 2019 and 2018

NOTE 14 - SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen that are likely to negatively impact the results of operations. However, the Organization cannot reasonably estimate at this time the specific extent, duration or full impact that the COVID-19 pandemic will have on its financial condition and operations.

In April 2020, the Organization executed a \$151,500 Paycheck Protection Program Loan (the "PPP Loan") offered by the U.S. Small Business Administration (the "SBA") pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain outstanding debt.