



Ronald McDonald House Charities of Memphis, Inc.



Financial Statements

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities of Memphis, Inc.
Memphis, TN

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the Organization as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Memphis, TN
July 7, 2021

Ronald McDonald House Charities of Memphis, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,549,537	\$ 2,293,715
Pledges receivable, net of allowance for doubtful accounts and discount	966,353	1,259,318
Prepaid expenses	25,713	29,353
Investments:		
Endowment investments	5,015,264	4,588,810
Other investments	<u>7,884,885</u>	<u>7,150,735</u>
Total investments	12,900,149	11,739,545
Other long-term assets	755,362	765,172
Property and equipment, net of accumulated depreciation	<u>6,704,500</u>	<u>7,026,565</u>
Total assets	<u>\$ 23,901,614</u>	<u>\$ 23,113,668</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 61,499	\$ 80,939
Accrued payroll liabilities	<u>43,376</u>	<u>31,983</u>
Total liabilities	104,875	112,922
Net assets:		
Without donor restrictions:		
Undesignated	17,428,701	16,797,647
Board-designated endowment fund	<u>4,504,014</u>	<u>4,077,560</u>
Total without donor restrictions	21,932,715	20,875,207
With donor restrictions	<u>1,864,024</u>	<u>2,125,539</u>
Total net assets	<u>23,796,739</u>	<u>23,000,746</u>
Total liabilities and net assets	<u>\$ 23,901,614</u>	<u>\$ 23,113,668</u>

Ronald McDonald House Charities of Memphis, Inc.

Statement of Activities

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenues:			
Contributions:			
General contributions	\$ 1,236,776	\$ -	\$ 1,236,776
Total contributions	1,236,776	-	1,236,776
Special event revenue	760,389	-	760,389
Less: costs of direct benefits to donors	(38,427)	-	(38,427)
Net revenues from special events	721,962	-	721,962
Program service fees	967,879	-	967,879
Investment income, net	1,066,687	47,512	1,114,199
Net assets released from restrictions	309,027	(309,027)	-
Total support and other revenues	4,302,331	(261,515)	4,040,816
Expenses:			
Program services	2,450,910	-	2,450,910
Supporting services:			
Management and general	219,180	-	219,180
Fundraising	574,733	-	574,733
Total expenses	3,244,823	-	3,244,823
Change in net assets	1,057,508	(261,515)	795,993
Net assets at beginning of year	20,875,207	2,125,539	23,000,746
Net assets at end of year	<u>\$ 21,932,715</u>	<u>\$ 1,864,024</u>	<u>\$ 23,796,739</u>

See accompanying notes.

Ronald McDonald House Charities of Memphis, Inc.
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and other revenues:			
Contributions:			
General contributions	\$ 1,357,500		\$ 1,357,500
In-kind contributions	17,230	-	17,230
Total contributions	1,374,730	-	1,374,730
Special event revenue	881,085	-	881,085
Less: costs of direct benefits to donors	(59,913)	-	(59,913)
Net revenues from special events	821,172	-	821,172
Program service fees	950,916	-	950,916
Investment loss, net	1,543,155	79,867	1,623,022
Net assets released from restrictions	2,494,071	79,867	2,573,938
	950,822	(950,822)	-
Total support and other revenues	5,640,795	(870,955)	4,769,840
Expenses:			
Program services	2,530,916	-	2,530,916
Supporting services:			
Management and general	223,063	-	223,063
Fundraising	611,726	-	611,726
Total expenses	3,365,704	-	3,365,704
Change in net assets	2,275,091	(870,955)	1,404,136
Net assets at beginning of year	18,600,116	2,996,494	21,596,610
Net assets at end of year	<u>\$ 20,875,207</u>	<u>\$ 2,125,539</u>	<u>\$ 23,000,746</u>

Ronald McDonald House Charities of Memphis, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 22,855	\$ 22,855
Bad debt recovery	-	(6,737)	-	(6,737)
Bank fees	-	-	20,559	20,559
Cable television	14,064	-	-	14,064
Computer support	47,729	36,893	14,640	99,262
Depreciation	538,079	1,625	5,844	545,548
Direct mailing fees	-	-	94,225	94,225
Dues and subscriptions	368	750	1,288	2,406
Family services	281,799	-	-	281,799
Health insurance	80,984	4,194	18,839	104,017
Insurance	96,430	-	-	96,430
Miscellaneous	-	3,742	1,735	5,477
Office expenses	-	3,036	164	3,200
Payroll services	-	6,489	-	6,489
Payroll taxes	56,789	6,395	21,503	84,687
Postage	-	-	16,084	16,084
Printing	-	103	18,716	18,819
Professional fees	-	45,399	5,695	51,094
Rent	19,578	-	26	19,604
Repairs and maintenance	143,523	-	-	143,523
Retirement expenses	16,819	1,412	6,933	25,164
Salaries and wages	729,007	108,024	320,277	1,157,308
Scholarships	5,000	-	-	5,000
Security services	211,190	-	-	211,190
Supplies	23,715	3,356	462	27,533
Taxes and licenses	-	2,723	-	2,723
Telephone	25,285	1,776	4,888	31,949
Utilities	160,551	-	-	160,551
	<u>\$ 2,450,910</u>	<u>\$ 219,180</u>	<u>\$ 574,733</u>	<u>\$ 3,244,823</u>

Ronald McDonald House Charities of Memphis, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 43,507	\$ 43,507
Bad debt	-	4,155	-	4,155
Bank fees	-	-	16,145	16,145
Cable television	13,808	-	-	13,808
Computer support	44,809	20,122	15,962	80,892
Depreciation	542,763	1,614	5,806	550,183
Direct mailing fees	-	-	83,867	83,867
Dues and subscriptions	-	-	3,490	3,490
Family services	194,631	-	-	194,631
Health insurance	77,765	8,032	20,177	105,974
Insurance	72,111	-	894	73,005
Miscellaneous	-	7,802	5,844	13,646
Office expenses	-	-	3,968	3,968
Payroll services	-	7,036	-	7,036
Payroll taxes	57,869	5,919	24,271	88,059
Postage	-	-	16,668	16,668
Printing	-	-	21,062	21,062
Professional fees	-	54,451	4,750	59,201
Rent	27,096	-	9,388	36,484
Repairs and maintenance	226,350	-	-	226,350
Retirement expenses	14,208	14,130	12,679	41,017
Salaries and wages	763,577	89,178	314,212	1,166,967
Scholarships	5,000	-	-	5,000
Security services	212,259	-	-	212,259
Supplies	48,423	4,326	9,036	61,785
Taxes and licenses	5,862	-	-	5,862
Telephone	41,515	-	-	41,515
Training	13	6,298	-	6,311
Utilities	179,504	-	-	179,504
Volunteer expenses	3,353	-	-	3,353
	<u>\$ 2,530,916</u>	<u>\$ 223,063</u>	<u>\$ 611,726</u>	<u>\$ 3,365,704</u>

Ronald McDonald House Charities of Memphis, Inc.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 795,993	\$ 1,404,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	545,548	550,183
Land lease amortization	9,810	9,810
Bad debt expense (recoveries)	(6,737)	4,155
Change in fair value of investments	(787,213)	(1,308,228)
Changes in operating assets and liabilities:		
Pledges receivable	299,702	480,081
Prepaid expenses	3,640	3,113
Accounts payable	(19,440)	(114,409)
Accrued payroll liabilities	11,393	4,810
	<u>56,703</u>	<u>(370,485)</u>
Total adjustments		
Net cash provided by operating activities	852,696	1,033,651
Cash flows from investing activities:		
Proceeds from sale of investments	367,743	1,187,740
Purchases of investments	(741,134)	(2,883,148)
Purchases of property and equipment	(223,483)	(337,522)
	<u>(596,874)</u>	<u>(2,032,930)</u>
Cash flows used in investing activities		
Net increase (decrease) in cash and cash equivalents	255,822	(999,279)
Cash and cash equivalents at beginning of year	<u>2,293,715</u>	<u>3,292,994</u>
Cash and cash equivalents at end of year	<u>\$ 2,549,537</u>	<u>\$ 2,293,715</u>

1. Summary of Significant Accounting Policies

Organization and activities

Ronald McDonald House Charities of Memphis, Inc. (the "Organization") provides temporary housing at no charge to 53 out patients of St. Jude Children's Research Hospital ("St. Jude") and their families. The Organization, at no charge to its guests, provides supportive services "near the care they need with the family they love" while children are receiving treatment at St. Jude for cancer and other catastrophic childhood illnesses. The Organization operates as a "Ronald McDonald House" by virtue of a non-exclusive licensing agreement with McDonald's Corporation. While the Organization is not owned or operated by McDonald's Corporation or St. Jude, they do provide financial and logistical support. The majority of funding is raised through community support. The Organization is located in Memphis, Tennessee.

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets in which no payer or donor-imposed restrictions were stipulated beyond the general stated purposes of the Organization. At the discretion of the Organization's management and Board of Directors, these net assets may be expended for any purpose in performing the primary objectives of the Organization.

Net assets without donor restrictions consist of two categories: undesignated funds and board designated funds. Undesignated funds are available for any purpose within the scope of the Organization's activities. Designated funds have been appropriated by the Organization's Board of Directors for a specific activity or group of activities. Such designations could be changed by action of the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Contributions and support

Contributions received are recorded as unrestricted or donor restricted support depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restriction. When a donor restriction expires in the same

Ronald McDonald House Charities of Memphis, Inc.
Notes to Financial Statements

year received, revenue first flows through donor restricted net assets as an increase and is also shown as a release during the same year.

Unconditional promises to give, which consist of pledges receivable, are recorded when the pledge is received. Those due in the following year are recorded at their net realizable value, while those due in subsequent years have been discounted to the present value of their net realizable value using risk-free interest rates applicable to the years in which the pledges were received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There are no conditional promises to give as of December 31, 2020 or 2019.

Credit risks

The Organization's credit risks primarily relate to cash and cash equivalents, investments, and receivables. Cash and cash equivalents are primarily held in bank accounts at several institutions. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000 at each institution. The Organization's cash deposits exceeded FDIC limits at various times during the year. The Organization believes it is not exposed to any significant credit risk on its cash balances, due to its policy of banking with high quality financial institutions.

Investments, which are not insured by the FDIC, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect the Organization's financial position and changes in its net assets.

Fair value measurements

The Organization applies GAAP for fair value measurements of financial asset and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 4 for additional disclosures.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments such as non-negotiable certificates of deposit purchased with original maturities of three months or less to be cash equivalents, except those temporarily held in investment accounts for reinvestment.

Receivables

Pledges and other receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a valuation allowance based upon its assessment of the individual accounts. Balances that are still outstanding after a reasonable period of time has elapsed are written off through a charge to the valuation allowance and a credit to the appropriate receivable.

Investments

Investments are carried at fair value in the statements of financial position. Realized and unrealized gains and losses and interest and dividend income, net of investment fees, are included in investment income in the statements of activities.

Property and equipment

Property and equipment items are recorded at acquisition cost, if purchased, or the estimated fair value on the date received, if donated. The Organization capitalizes expenditures for property and equipment with a cost in excess of \$5,000 and provides for depreciation using the straight-line method over the estimated useful lives of the assets, generally ten to forty years for buildings and building improvements, five years for computer equipment and seven to ten years for other equipment and furniture and fixtures.

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.

In-kind contributions

Donated supplies and services are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2020 and 2019, in-kind donations for the general use and special events totaled \$25,000 and \$55,591, respectively. In addition, a substantial number of volunteers have donated significant time to the Organization. There have been no volunteer services since March 2020, because of COVID restrictions. No amounts have been recognized in the accompanying financial statements for these services since they do not meet the criteria for recognition.

Functional expense allocation

The cost of providing various programs and supporting services have been reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management. The expenses that are allocated include depreciation, travel, insurance, and office and occupancy, which are allocated on a square-footage basis, as well as salaries, benefits, and services, which are allocated based on estimates of time and effort.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state income taxes under provisions of the Tennessee tax regulations. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization files an exempt organization return in the United States federal jurisdiction.

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.

Advertising

Advertising costs were \$22,855 and \$43,507 for the years ended December 31, 2020 and 2019, respectively, and are expensed as incurred.

Subsequent events

The Organization evaluated its December 31, 2020, financial statements for subsequent events through July 7, 2021, the date the financial statements were available to be issued.

Ronald McDonald House Charities of Memphis, Inc.
Notes to Financial Statements

2. Availability and Liquidity

The following represents the Organization's financial assets available within one year of the statement of financial position dates for general expenditure:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,549,537	\$ 2,293,715
Pledges receivable, net	966,353	1,259,318
Investments	<u>12,900,149</u>	<u>11,739,545</u>
Total financial assets	16,416,039	15,292,578
Less amounts not available to be used within one year:		
Board designated net assets	4,054,014	4,077,560
Net assets with donor restrictions	<u>1,864,024</u>	<u>2,125,539</u>
	<u>5,918,038</u>	<u>6,203,099</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,498,001</u>	<u>\$ 9,089,479</u>

Management's goal is to maintain cash and cash equivalents sufficient to meet 25% of annual operating expenses with amounts above that level transferred to investments quarterly. Cash in excess of quarterly requirements is invested in short-term investments such as money market funds and certificates of deposit.

3. Pledges Receivable and Promise to Give

Pledges receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 321,754	\$ 353,313
Receivable within one to five years	680,000	970,200
Less discount	(29,699)	(48,367)
Less allowance for doubtful accounts	<u>(5,702)</u>	<u>(15,828)</u>
Net pledges receivable	<u>\$ 966,353</u>	<u>\$ 1,259,318</u>

These pledges receivable are recorded as income when contributed and have been discounted to net present value using a discount rate ranging from 1.90-2.77% based on expected payments.

4. Investments and Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, as described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.

Level 3 – Inputs which are unobservable for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

- Common trust funds: Valued at the net asset value (“NAV”) of shares held by the Organization at year end. The fund manager values shares in the fund based on the fair values of the underlying investments.
- Money market, equity and bond mutual funds: Valued at the closing price reported on the active market in which they are traded.

The following tables set forth by level, within the fair value hierarchy, the Organization’s assets measured at fair value on a recurring basis at December 31, 2020 and 2019.

	2020		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market mutual funds	\$ 16,823	\$ -	\$ 16,823
Negotiable CDs		438,373	438,373
Equity mutual funds	4,983,698	-	4,983,698
Bond mutual funds	<u>2,306,206</u>	-	<u>2,306,206</u>
Investments, in fair value hierarchy	<u>\$ 7,306,727</u>	<u>\$ 438,373</u>	7,745,100
Investments measured at NAV ^(a)			<u>4,943,164</u>
Investments, at fair value			12,688,264
Temporary cash investments			<u>211,885</u>
			<u>\$ 12,900,149</u>

Ronald McDonald House Charities of Memphis, Inc.
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	2019		Total
	Level 1	Level 2	
Money market mutual funds	\$ 17,016	\$ -	\$ 17,016
Negotiable CDs		636,163	636,163
Equity mutual funds	4,393,303	-	4,393,303
Bond mutual funds	<u>2,491,388</u>	<u>-</u>	<u>2,491,388</u>
Investments, in fair value hierarchy	<u>\$ 6,901,707</u>	<u>\$ 636,163</u>	7,537,870
Investments measured at NAV ^(a)			<u>4,179,352</u>
Investments, at fair value			11,717,222
Temporary cash investments			<u>22,323</u>
			<u>\$ 11,739,545</u>

^(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The determination of fair value above incorporates various factors such as the credit standing of the counterparties involved and the impact of credit enhancements. The following table summarizes investments for which fair value is measured using the NAV practical expedient as of December 31, 2020 and 2019.

	2020	2019
Common trust funds:		
U.S. active equity	\$ 711,294	\$ 425,429
U.S. core equity	1,323,077	1,238,257
International equity	1,070,287	942,624
Short duration fixed income	83,276	122,616
Core fixed income	1,385,749	1,095,667
Multi-strategy	<u>369,481</u>	<u>354,759</u>
	<u>\$ 4,943,164</u>	<u>\$ 4,179,352</u>

There were no unfunded commitments or redemption restrictions for the common trust funds at December 31, 2020 and 2019.

The following schedule summarizes investment income for the years ended December 31:

	2020	2019
Interest and dividends	\$ 400,666	\$ 385,400
Realized and unrealized gain on investments	787,213	1,308,228
Investment management fees	<u>(73,680)</u>	<u>(70,606)</u>
Total investment income	<u>\$ 1,114,199</u>	<u>\$ 1,623,022</u>

Ronald McDonald House Charities of Memphis, Inc.
Notes to Financial Statements

5. Land Lease

The Organization entered into a lease agreement in 1998 with American Lebanese Syrian Associated Charities, Inc. ("ALSAC") for a portion of its land for \$1 per year through 2097. ALSAC is the fundraising arm of St. Jude. The value of the lease was determined to be \$974,902, which was the estimated fair market value of the land at the lease inception. The net amount of the land lease is reflected in donor restricted net assets due to time restrictions.

Amortization is recorded in the statements of functional expenses as rent. The land lease consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land lease	\$ 974,902	\$ 974,902
Less accumulated amortization	<u>219,540</u>	<u>209,730</u>
	<u>\$ 755,362</u>	<u>\$ 765,172</u>

Future amortization expense is as follows for the years ending December 31:

2021	\$ 9,810
2022	9,810
2023	9,810
2024	9,810
2025	9,810
Thereafter	<u>706,312</u>
	<u>\$ 755,362</u>

6. Property and Equipment

A summary of property and equipment at December 31 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 236,009	\$ 236,009
Buildings and improvements	12,986,908	12,986,908
Furniture and fixtures	615,173	615,173
Equipment and vehicles	1,161,383	1,132,900
Computer equipment	145,015	145,015
Construction in progress	<u>195,000</u>	<u>-</u>
	15,339,488	15,116,005
Less accumulated depreciation	<u>(8,634,988)</u>	<u>(8,089,440)</u>
	<u>\$ 6,704,500</u>	<u>\$ 7,026,565</u>

7. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 1,352,774	\$ 1,614,289
Endowment funds not subject to appropriation or expenditure	<u>511,250</u>	<u>511,250</u>
	<u>\$ 1,864,024</u>	<u>\$ 2,125,539</u>

8. Endowment Fund

The Organization has an endowment fund which was created with the proceeds of the sale of donated stock. This donor-restricted gift, which was received in 1993, is to be held in perpetuity for the benefit of the Organization. The donor stipulated that income from these funds could be used for operating expenses. The Board of Directors' intent is to treat the unrestricted portion of the endowment as a "rainy day" fund, allowing for continued growth of the fund. The endowment and its cumulative earnings make up the entirety of this investment account, as listed on the statements of financial position as endowment investments.

At December 31, the endowment net asset composition is as follows:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment fund	\$ 511,250	\$ 511,250
Board-designated endowment fund	<u>4,504,014</u>	<u>4,077,560</u>
	<u>\$ 5,015,264</u>	<u>\$ 4,588,810</u>

A reconciliation of the endowment fund's balance at December 31 by net asset class is as follows:

	<u>2020</u>		
	<u>Board Designated</u>	<u>Donor Restricted</u>	<u>Total</u>
Beginning endowment net assets	\$ 4,077,560	\$ 511,250	\$ 4,588,810
Investment return:			
Interest and dividends	81,296	10,193	91,489
Change in fair value	325,463	40,807	366,270
Management fees	<u>(27,817)</u>	<u>(3,488)</u>	<u>(31,305)</u>
Total investment return	378,942	47,512	426,454
Appropriation of endowment assets for expenditure	<u>47,512</u>	<u>(47,512)</u>	<u>-</u>
Ending endowment net assets	<u>\$ 4,504,014</u>	<u>\$ 511,250</u>	<u>\$ 5,015,264</u>

Ronald McDonald House Charities of Memphis, Inc.
Notes to Financial Statements

	2019		
	Board Designated	Donor Restricted	Total
Beginning endowment net assets	\$ 3,457,558	\$ 511,250	\$ 3,968,808
Investment return:			
Interest and dividends	96,829	14,318	111,147
Change in fair value	469,680	69,449	539,129
Management fees	<u>(26,374)</u>	<u>(3,900)</u>	<u>(30,274)</u>
Total investment return	540,135	79,867	620,002
Appropriation of endowment assets for expenditure	<u>79,867</u>	<u>(79,867)</u>	<u>-</u>
Ending endowment net assets	<u>\$ 4,077,560</u>	<u>\$ 511,250</u>	<u>\$ 4,588,810</u>

Endowment investment policy

The primary purpose of the Organization's investment policy is to supplement annual operating expenses, provide for short-term capital needs, and allow sufficient long-term growth of capital to meet future capital and budgetary requirements. This includes maintaining an appropriate combination of assets to meet its performance objectives and ensuring a proper level of diversification within the asset classes of cash and cash equivalents, fixed income securities, equities, and publicly traded real estate.

Spending policy

The Organization has a policy in which the general rule of appropriating for distribution each year is through a formal annual budget approved by the governing board. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gifts. There are no underwater funds at December 31, 2020 or 2019.

Interpretation of relevant law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Tennessee applies to the Organization's endowment fund. Management interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted portion of the endowment fund. Among other considerations, management considers the duration and preservation of the fund and general economic conditions in making a determination to appropriate or accumulate donor-restricted endowment funds.

9. Retirement Plan

The Organization maintains a 401(k) retirement plan for all employees working at least thirty-two (32) hours a week and at least twenty-one (21) years of age. Optional employee contributions are withheld from the employees' compensation. The plan was amended during 2015 to add a provision for employer contributions. The Organization will make a matching contribution for each participant equal to 100% of the participant's salary contributions, up to 3% of annual compensation. Employer contributions for the years ended December 31, 2020 and 2019, were \$25,164 and \$41,017, respectively.

10. Concentrations of Risk and Uncertainties

For the year ended December 31, 2020, St. Jude program service fees received accounted for approximately 33% of support and other revenue. For the year ended December 31, 2019, one donor accounted for approximately 16% of total support and other revenue, and St. Jude program service fees received accounted for approximately 30% of support and other revenue. At December 31, 2020, two donors accounted for approximately 97% of total pledges receivable. At December 31, 2019, two donor accounted for approximately 94% of total pledges receivable.

During 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our sponsors, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.