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

Contents

	Page
Independent Auditors' Report	1 - 2
 Financial Statements	
Statement Of Financial Position.....	3
Statement Of Activities - 2019	4
Statement Of Activities - 2018.....	5
Statement Of Functional Expenses - 2019	6
Statement Of Functional Expenses - 2018	7
Statement Of Cash Flows.....	8
Notes To Financial Statements.....	9 - 26



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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities of Denver, Inc.
Denver, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the Ronald McDonald House Charities of Denver, Inc., 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.

Auditors' 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 auditors' 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 Ronald McDonald House Charities of Denver, Inc. as of December 31, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of A Matter

As discussed in Note 1, Ronald McDonald House Charities of Denver, Inc. adopted Accounting Standards Codification Topic 606, *Revenue from Contract with Customers*, and Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion was not modified with respect to this matter.

RubinBrown LLP

July 1, 2020

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 257,646	\$ 517,785
Investments	6,874,806	4,547,929
Receivables:		
Net pledges receivable	29,646	35,442
Contributions receivable	224,318	195,802
Other receivables	113,576	89,734
Prepaid expenses	10,391	24,806
Inventory	—	303
Restricted cash and cash equivalents	602,603	623,729
Restricted investments	—	282,493
Total Current Assets	8,112,986	6,318,023
Beneficial Use Of Land	130,353	130,431
Property And Equipment		
Land	167,000	167,000
Buildings and improvements	27,000,505	27,000,505
Furnishings and equipment	501,568	700,195
	27,669,073	27,867,700
Less: Accumulated depreciation	7,338,274	6,833,258
Net Property And Equipment	20,330,799	21,034,442
Total Assets	\$ 28,574,138	\$ 27,482,896

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 259,268	\$ 184,692
Net Assets		
Without donor restrictions:		
Undesignated	4,218,151	2,426,405
Property and equipment	20,330,799	21,034,442
Board-designated capital fund	2,750,000	2,662,312
Total Without Donor Restrictions	27,298,950	26,123,159
With donor restrictions	1,015,920	1,175,045
Total Net Assets	28,314,870	27,298,204
Total Liabilities And Net Assets	\$ 28,574,138	\$ 27,482,896

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 1,673,248	\$ 556,650	\$ 2,229,898
SHHC contributions	104	—	104
In-kind contributions	908,645	—	908,645
Guest donations	144,323	—	144,323
Special events revenue	510,934	—	510,934
Room revenue	1,077,771	—	1,077,771
Net assets released from restrictions	715,775	(715,775)	—
Total Operating Revenues, Gains And Other Support	5,030,800	(159,125)	4,871,675
Operating Expenses			
Program services:			
Ronald McDonald House	2,994,552	—	2,994,552
Care Mobile	18,619	—	18,619
SHHC	12,850	—	12,850
Family Room program	41,117	—	41,117
Total Program Services	3,067,138	—	3,067,138
Supporting services:			
Management and general	612,209	—	612,209
Fundraising	279,429	—	279,429
Cost of direct benefits to donors	63,990	—	63,990
Total Supporting Services	955,628	—	955,628
Total Operating Expenses	4,022,766	—	4,022,766
Change In Net Assets Relating To Operations	1,008,034	(159,125)	848,909
Nonoperating Income And Expenses			
Contribution of SHHC net assets	(269,748)	—	(269,748)
Investment gain	451,196	—	451,196
Unallocated payments to RMHC Global	(13,691)	—	(13,691)
Total Nonoperating Income And Expenses	167,757	—	167,757
Change In Total Net Assets	1,175,791	(159,125)	1,016,666
Net Assets At Beginning Of Year	26,123,159	1,175,045	27,298,204
Net Assets At End Of Year	\$ 27,298,950	\$ 1,015,920	\$ 28,314,870

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains And Other Support			
Contributions	\$ 1,294,427	\$ 237,692	\$ 1,532,119
SHHC contributions	—	27,660	27,660
In-kind contributions	1,245,123	19,530	1,264,653
Guest donations	170,974	—	170,974
Special events revenue	474,973	—	474,973
Room revenue	920,073	—	920,073
Net assets released from restrictions	221,714	(221,714)	—
Total Operating Revenues, Gains And Other Support	4,327,284	63,168	4,390,452
Operating Expenses			
Program services:			
Ronald McDonald House	2,955,042	—	2,955,042
Scholarships and grants	3,206	—	3,206
SHHC	89,273	—	89,273
Family Room program	58,449	—	58,449
Total Program Services	3,105,970	—	3,105,970
Supporting services:			
Management and general	429,988	—	429,988
Fundraising	269,165	—	269,165
Cost of direct benefits to donors	51,228	—	51,228
Total Supporting Services	750,381	—	750,381
Total Operating Expenses	3,856,351	—	3,856,351
Change In Net Assets Relating To Operations	470,933	63,168	534,101
Nonoperating Income And Expenses			
Investment loss	(67,065)	(357)	(67,422)
Loss on disposal of assets	(30,083)	—	(30,083)
Unallocated payments to RMHC Global	(12,294)	—	(12,294)
Total Nonoperating Income And Expenses	(109,442)	(357)	(109,799)
Change In Total Net Assets	361,491	62,811	424,302
Net Assets At Beginning Of Year	25,761,668	1,112,234	26,873,902
Net Assets At End Of Year	\$ 26,123,159	\$ 1,175,045	\$ 27,298,204

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2019

	Program Services					Supporting Services					Total Expenses
	Ronald McDonald House	Care Mobile	Sky High Hope Camp	Family Room Program	Total Program Services	Management And General	Fund-Raising	Direct Benefits To Donors	Cost Of Supporting Services	Total	
Salaries	\$ 527,796	\$ —	\$ —	\$ 22,026	\$ 549,822	\$ 281,310	\$ 163,663	\$ —	\$ 444,973	\$ 994,795	
Payroll taxes	41,820	—	—	1,899	43,719	27,240	12,846	—	40,086	83,805	
Benefits	51,796	—	—	514	52,310	74,572	15,573	—	90,145	142,455	
Miscellaneous professional services	314,465	—	—	—	314,465	54,557	13,909	—	68,466	382,930	
Advertising	—	—	—	—	—	37	8,000	—	8,037	8,037	
Dues, subscriptions and licenses	4,590	—	—	—	4,590	4,466	6,582	—	11,048	15,638	
Depreciation	810,784	—	—	—	810,784	17,348	2,356	—	19,704	830,488	
Rent expense	6,615	—	—	1	6,616	—	—	—	—	6,616	
Utilities	171,250	—	—	—	171,250	4,365	567	—	4,932	176,182	
Insurance	86,317	—	—	369	86,686	12,906	3,235	—	16,141	102,827	
Supplies and printing	62,167	—	—	7,405	69,572	5,318	5,894	—	11,212	80,784	
Repairs and maintenance	164,724	—	—	38	164,762	277	339	—	616	165,378	
Event expenses	—	—	—	—	—	—	—	63,990	63,990	63,990	
SHHC	—	—	12,850	—	12,850	—	—	—	—	12,851	
Telephone and postage	33,822	—	—	9	33,831	1,327	2,738	—	4,065	37,895	
Volunteers and donors	1,659	—	—	306	1,965	876	1,134	—	2,010	3,975	
Donated food and cleaning supplies	610,851	—	—	5,796	616,647	—	—	—	—	616,647	
Donated services	55,788	—	—	—	55,788	25,360	—	—	25,360	81,148	
Other	50,108	18,619	—	2,754	71,481	102,250	42,593	—	144,843	216,325	
Total Expenses	\$ 2,994,552	\$ 18,619	\$ 12,850	\$ 41,117	\$ 3,067,138	\$ 612,209	\$ 279,429	\$ 63,990	\$ 955,628	\$ 4,022,766	

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2018

	Program Services					Supporting Services					Total Expenses
	Ronald McDonald House	Scholarships And Grants	Sky High Hope Camp	Family Room Program	Total Program Services	Management And General	Fund-Raising	Direct Benefits To Donors	Cost Of Supporting Services	Total	
Salaries	\$ 430,666	\$ —	\$ —	\$ 33,662	\$ 464,328	\$ 238,174	\$ 169,042	\$ —	\$ 407,216	\$ 871,544	
Payroll taxes	37,723	—	—	2,828	40,551	19,711	13,510	—	33,221	73,772	
Benefits	107,862	—	—	2,259	110,121	33,959	19,932	—	53,891	164,012	
Miscellaneous professional services	87,350	—	741	48	88,139	19,613	11,749	—	31,362	119,501	
Advertising	—	—	—	—	—	—	8,161	—	8,161	8,161	
Dues, subscriptions and licenses	1,320	—	350	—	1,670	5,890	5,356	—	11,246	12,916	
Scholarships	—	3,118	—	—	3,118	—	—	—	—	3,118	
Depreciation	799,847	—	—	—	799,847	16,710	2,236	—	18,946	818,793	
Rent expense	6,615	—	—	1	6,616	—	—	—	—	6,616	
Utilities	165,363	—	—	—	165,363	4,252	551	—	4,803	170,166	
Insurance	76,278	—	840	417	77,535	12,764	2,789	—	15,553	93,088	
Supplies and printing	58,451	—	3,387	286	62,124	2,092	2,998	—	5,090	67,214	
Repairs and maintenance	119,557	—	—	31	119,588	438	297	—	735	120,323	
Event expenses	—	—	—	—	—	—	—	51,228	51,228	51,228	
SHHC	—	—	57,865	—	57,865	—	—	—	—	57,865	
Telephone and postage	35,094	53	7	11	35,165	1,262	2,391	—	3,653	38,818	
Volunteers and donors	8,769	—	1,649	237	10,655	775	1,401	—	2,176	12,831	
Donated food and cleaning supplies	941,401	—	—	8,743	950,144	—	—	—	—	950,144	
Donated services	16,673	—	19,530	24	36,227	14,076	252	—	14,328	50,555	
Other	62,073	35	4,904	9,902	76,914	60,272	28,500	—	88,772	165,686	
Total Expenses	\$ 2,955,042	\$ 3,206	\$ 89,273	\$ 58,449	\$ 3,105,970	\$ 429,988	\$ 269,165	\$ 51,228	\$ 750,381	\$ 3,856,351	

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31	
	2019	2018
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,016,666	\$ 424,302
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonoperating contribution of SHHC net assets	269,748	—
Depreciation	830,488	818,793
Net realized and unrealized (gain) loss on investments	(295,456)	192,583
Dividends and capital gains reinvested	(94,963)	(90,075)
Donated property and equipment	—	(171,074)
Net discount amortization	78	78
Changes in assets and liabilities:		
Contributions receivable	(28,516)	(195,802)
Pledges receivable	5,796	(12,482)
Other receivables	(23,842)	96,216
Prepaid expenses	14,415	4,929
Inventory	303	42,494
Accounts payable and accrued liabilities	74,576	113,492
Net Cash Provided By Operating Activities	1,769,293	1,223,454
Cash Flows From Investing Activities		
Purchases of investments	(9,161,103)	(3,010,000)
Proceeds from sale of investments	7,507,138	1,816,034
Purchases of property and equipment	(126,845)	(503,062)
Contribution of SHHC net assets	(269,748)	—
Net Cash Used In Investing Activities	(2,050,558)	(1,697,028)
Net Decrease In Cash And Cash Equivalents	(281,265)	(473,574)
Cash And Cash Equivalents At Beginning Of Year	1,141,514	1,615,088
Cash And Cash Equivalents At End Of Year	\$ 860,249	\$ 1,141,514
Cash And Cash Equivalents		
Cash and cash equivalents	\$ 257,646	\$ 517,785
Restricted cash and cash equivalents	602,603	623,729
Cash And Cash Equivalents At End Of Year	\$ 860,249	\$ 1,141,514

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

1. Summary Of Significant Accounting Policies

General

Ronald McDonald House Charities of Denver, Inc. (RMHC-Denver) is a not-for-profit corporation established to operate facilities (the Ronald McDonald Houses) in Denver and Aurora, Colorado. Ronald McDonald Houses provide temporary housing for the families of seriously ill children while their children receive treatment at nearby hospitals.

RMHC-Denver's Family Room program offers families a place to rest and regroup at three Denver area hospitals. Services at the Ronald McDonald Family Room include a kitchen area, shower facilities, laundry facilities, internet access, a seating area and a quiet room.

RMHC-Denver's Community Grant program supported 501(c)(3) organizations and their programs that directly improve the health and well-being of children. In addition, the Scholarship Program offered scholarships to students from the community who faced limited access to education and career opportunities.

Effective July 2018, in an effort to narrow its scope and focus resources on their core mission, RMHC-Denver decided to end both the Community Grants and Scholarship Programs.

RMHC-Denver's Sky High Hope Camp (SHHC) is a residential mountain camp for children who have, or have had, cancer and their siblings. Campers, under close medical supervision, are allowed to participate in recreational activities and "just be a kid" with other children living with cancer. Effective January 2019, all operations and \$250,000 of net assets restricted for the SHHC were transferred to another not-for-profit organization. The remaining \$19,748 of net assets restricted for SHHC were transferred in March 2019.

RMHC-Denver's Care Mobile program provides access to pediatric medical and mental health services for children living in underserved communities. Through a partnership with Every Child Pediatrics, the program is bringing clinical services directly to those in need, so children can receive high-quality, convenient care right in their own neighborhood, on the grounds of Lincoln Middle School in Fort Collins, Colorado.

RMHC-Denver's activities are supported primarily through contributions, special events and room revenue.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Information regarding the financial position and activities of RMHC-Denver is reported based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as net assets with donor restrictions and net assets without donor restrictions.

Change In Accounting Principle

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

RMHC-Denver adopted Topic 606 on a full retrospective basis. No cumulative-effect adjustment in net assets as of January 1, 2018 was recorded because the adoption of Topic 606 did not significantly affect RMHC-Denver's reported historical revenue.

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

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

Revenue Recognition

Contributions And Contributions Receivable

Unconditional promises to give are recognized as revenue in the period the promise is made. Contributions, grants and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Contributions receivable are recorded at net realizable value if expected to be collected within one year and at net present value if expected to be collected in more than one year.

Contributed Property And Services

Contributed property and equipment are recorded at fair value on the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as increases in net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as increases in net assets without donor restrictions when placed in service. Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values on the date of donation. In-kind contributions for the years ended December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Services	\$ 81,148	\$ 50,555
Food, supplies and activities	692,585	950,144
Auction items	134,912	92,880
Property and equipment	—	171,074
Total In-Kind Contributions	\$ 908,645	\$ 1,264,653

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

RMHC-Denver pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist RMHC-Denver with specific programs and activities. RMHC-Denver received 43,096 and 55,694 volunteer hours in 2019 and 2018, respectively. No amounts have been reflected in the accompanying financial statements for volunteers' donated services unless they meet the criteria of recognition under generally accepted accounting principles.

Sponsorship Revenue

Sponsorships represent primarily contributions, as the value provided to sponsors is generally not commensurate with the sponsorship payments. Further, as there is no explicit or implicit right of return, under the guidance provided by ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, sponsorships are generally considered to be unconditional and thus are accounted for similar to contributions, recorded as revenue with donor restriction (a time-based restriction) and released to revenue without donor restriction at the time the sponsored event occurs.

Special Event Revenue - Ticket Sales

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

The following table is a disaggregation of the timing of recognition of those revenues that are subject to Topic 606:

	<u>2019</u>	<u>2018</u>
Services rendered over time	\$ 1,077,771	\$ 920,073
Services recognized at a point in time	<u>510,934</u>	<u>474,973</u>
	<u>\$ 1,588,705</u>	<u>\$ 1,395,046</u>

Cash And Cash Equivalents

For purposes of the statement of cash flows, RMHC-Denver considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements *(Continued)*

Investments

Investments in marketable securities and certificates of deposit with readily determinable fair values are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Accounts Receivable

RMHC-Denver reviews accounts receivable for collectability at year end. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior-years' experience and management's analysis of subsequent collections.

Inventory

Inventory consists of donated auction items that have not yet been sold. These contributed items are recorded at their estimated fair value at the date of receipt.

Property And Equipment

Furniture, fixtures and equipment are carried at cost and depreciated over their estimated useful lives of 3 to 15 years for furniture and equipment and 40 years for buildings. Capitalization of expenditures is based on costs and useful lives. Donated property and equipment is recorded as estimated fair market value at the date of donation. Repairs and maintenance are charged to operations when incurred. Property is capitalized only if it has a cost greater than \$5,000 per asset invoice or group. Depreciation expense is computed using the straight-line method over the estimated useful lives.

RMHC-Denver 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. RMHC-Denver 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. At December 31, 2019 and 2018, no impairment losses have been recognized.

Concentrations Of Credit Risk

Financial instruments which potentially subject RMHC-Denver to concentrations of credit risk consist principally of cash, cash equivalents and investments.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements *(Continued)*

RMHC-Denver maintains cash balances with multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. RMHC-Denver believes it is not exposed to any significant credit risk on its cash balances.

Investment managers that are utilized by RMHC-Denver are engaged by RMHC-Denver's Board of Directors to make investments, and the investments are monitored by the Board of Directors. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of RMHC-Denver.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Expenses directly attributable to a specific functional area of RMHC-Denver are reported as expenses of those functional areas. Certain other costs that benefit multiple functional areas have been allocated across Programs and Supporting Services as determined by management on an equitable basis.

The allocated expenses, and their method of allocation, are as follows:

<u>Expense</u>	<u>Method Of Allocation</u>
Salaries and benefits	Estimates of time and effort
Depreciation	Square footage
Utilities	Square footage
Insurance	Square footage

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

Net Assets

Net assets, operating revenues, gains and other support and nonoperating income are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- ***Net Assets Without Donor Restrictions*** - Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, certain funds to be used at the board's discretion.
- ***Net Assets With Donor Restrictions*** - Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Contributions restricted by donors are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions expire in the same year in which the contributions were received are reported at gross in the statement of activities as contributions with donor restrictions and corresponding net assets released from restrictions.

Income Taxes

RMHC-Denver has received a determination letter from the Internal Revenue Service for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax liability was recorded for the years ended December 31, 2019 or 2018.

Advertising And Promotion

RMHC-Denver's advertising and promotion expenses relate to the purchase of airtime for the annual Ronald McDonald House Radiothon. The purchase of the airtime is expensed as incurred. During 2019 and 2018, advertising and promotion costs totaled \$8,037 and \$8,161, respectively.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

2. Availability And Liquidity

RMHC-Denver strives to maintain liquid financial assets sufficient to cover one year of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other investments.

The following table reflects RMHC-Denver's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include a board-designated fund that is intended to fund maintenance and capital needs of the houses, as further discussed in Note 11. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions.

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 860,249	\$ 1,141,514
Contributions and pledges receivable	367,540	320,978
Investments	6,874,806	4,830,422
Total Financial Assets	8,102,595	6,292,914
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,015,920	1,175,045
Less net assets with purpose restrictions expected to be met in less than one year	(150,242)	(467,697)
	865,678	707,348
Board-designated reserve	2,750,000	2,662,312
Total Amounts Not Available To Be Used Within One Year	3,615,678	3,369,660
Financial Assets Available To Meet General Expenditures Over The Next 12 Months	\$ 4,486,917	\$ 2,923,254

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

3. Restricted Cash And Investments

Restricted cash and investments are restricted to the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
SHHC	\$ —	\$ 282,494
Coca-Cola purchases	46,509	67,084
Permanent endowment (Notes 7 and 8)	546,250	546,250
Other	9,844	10,394
Total Restricted Cash And Investments	\$ 602,603	\$ 906,222

4. Investments

RMHC-Denver's investments, at fair value, consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ —	\$ 47,018
Certificates of deposit	3,177,663	2,964,534
Mutual funds:		
Bond funds	1,330,373	693,875
Equity funds	2,366,770	981,709
Global funds	—	143,286
Total Investments	\$ 6,874,806	\$ 4,830,422

Investment return consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Net unrealized gain (loss) on investments	\$ 288,946	\$ (203,485)
Net realized gain on sale of investments	6,510	10,902
Interest and dividend income	155,740	125,161
Total Investment Return	\$ 451,196	\$ (67,422)

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

5. Pledges And Contributions Receivable

RMHC-Denver's gross pledges receivable of \$32,686 and \$41,052 at December 31, 2019 and 2018, respectively, consist of pledges of support for general operations. Management has recorded an allowance for doubtful accounts of \$3,040 and \$5,610 for the years ended December 31, 2019 and 2018, respectively, which is netted against the gross pledges receivable on the statement of financial position. Additionally, the contributions receivable of \$224,318 at December 31, 2019 consists of contributions received in 2020 relating to 2019 fundraising efforts. The contributions and pledges receivable are due in less than one year.

6. Other Receivables

RMHC-Denver's Medicaid receivable of \$81,850 and \$58,033 consists of billings for stays in 2019 and 2018, respectively. Management has not recorded an allowance for doubtful accounts for the year ended December 31, 2019 and has recorded an allowance for doubtful accounts of \$5,409 for the year ended December 31, 2018. The Medicaid receivables are due in less than one year. The other remaining receivable related to canister collections amounted to \$31,726 and \$37,110 as of December 31, 2019 and 2018, respectively.

7. Net Assets With Donor Restrictions

RMHC-Denver's net assets with donor restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose or future period:		
Pledges and contributions receivable	\$ 253,964	\$ 77,238
Coca-Cola purchases	46,509	67,084
Aurora land use	130,353	130,431
Global	—	61,145
SHHC	—	282,494
Other	38,844	10,403
Subject to the spending policy and appropriation:		
Investment held in perpetuity, the income of which is expendable to support operating expenses of RMHC-Denver	546,250	546,250
Total Net Assets With Donor Restrictions	\$ 1,015,920	\$ 1,175,045

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

Net assets released from restrictions, as a result of RMHC-Denver incurring expenditures satisfying the related restricted purposes or with the passage of time, were as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished	\$ 343,620	\$ 131,472
Time restrictions expired	<u>372,155</u>	<u>90,242</u>
	<u>\$ 715,775</u>	<u>\$ 221,714</u>

8. Endowment

RMHC-Denver's net assets with donor restrictions includes two donor-restricted endowment funds established for the operating expenses of RMHC-Denver. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC-Denver follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, issued by FASB. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

RMHC-Denver has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC-Denver classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by RMHC-Denver in a manner consistent with the standard of prudence prescribed by UPMIFA.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements *(Continued)*

In accordance with UPMIFA, RMHC-Denver 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 RMHC-Denver 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 RMHC-Denver resources
- (7) The investment policies of RMHC-Denver

There were no changes in the restricted portion of endowment net assets for the years ended December 31, 2019 and 2018. As of December 31, 2019 and 2018, the balance of the restricted portion of endowment net assets was \$546,250.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHC-Denver to retain as a fund of perpetual duration. At December 31, 2019 and 2018, there was no such deficiency.

Return Objectives And Risk Parameters

RMHC-Denver has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments in income-producing instruments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves and fit within RMHC-Denver's preference of acceptable principal and interest risk.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC-Denver relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC-Denver targets a diversified asset allocation that places a greater emphasis on money market funds and bond funds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

RMHC-Denver has a policy of appropriating for distribution each year a prudent amount for the operating expenses of RMHC-Denver. This policy applies to restricted and unrestricted funds unless those funds have their own distribution requirements. In establishing the distribution policy, RMHC-Denver considers the long-term expected return on its endowment. This is consistent with RMHC-Denver's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In determining the annual distribution to RMHC-Denver for operating expenses, the Board of Directors may make an exception to the distribution policy.

9. Leases

In 2006, RMHC-Denver entered into a lease agreement with HealthONE, whereby RMHC-Denver would lease certain land from HealthONE. The initial term of the lease was for a 99-year term that ends in 2105, with an aggregate annual base rent of \$1.00. The fair value of the lease at the time of inception was approximately \$655,000. In connection with this lease agreement, RMHC-Denver discounted the value of the 99-year initial term of the lease and recorded a restricted contribution in 2014. The discount on the beneficial use of land was amortized by \$6,537 into contribution revenue with donor restrictions during both years ended December 31, 2019 and 2018. Additionally, for both years ended December 31, 2019 and 2018, \$6,616 of the restricted contribution was released from restriction as rent expense of \$6,616 was recognized. As of December 31, 2019 and 2018, the value of the beneficial use of land was \$130,353 and \$130,431, respectively.

10. Retirement Plan

Through 2016, RMHC-Denver sponsored a 403(b) defined contribution plan (the Plan) that covered substantially all employees. As of December 31, 2016, the Plan was terminated. Assets were allowed to remain in the Plan until June 30, 2017. To replace the defined contribution plan, the Board of Directors voted to establish a new benefit for employees in 2017. All active employees, full and part-time, receive on their last pay period of the year a benefit equal to 5% of their year-to-date earnings. RMHC-Denver contributions under this benefit totaled \$48,606 in 2019 and \$42,235 in 2018.

11. Board-Designated Funds

In March 2002, RMHC-Denver Board of Directors voted to establish a reserve for maintenance and to fund the designated reserve at the rate of \$1,000 per month plus interest. In August 2019, RMHC-Denver Board of Directors voted to establish a \$250,000 base of funding for this reserve, and will build the reserve at a rate of \$8,333 each month.

In August 2017, RMHC-Denver Board of Directors voted to establish a reserve for capital investment and to fund the reserve with \$2,500,000. At December 31, 2019 and 2018, the Board-designated funds totaled \$2,750,000 and \$2,662,312, respectively.

12. Fair Value Measurements

RMHC-Denver reports required types of financial instruments in accordance with fair value accounting standards. Fair value is 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require RMHC-Denver to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with the underlying funds.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (*Continued*)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes mutual funds, listed equities, listed derivatives and money market funds.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

No changes in the valuation methods were made during the years ended December 31, 2019 and 2018.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements (Continued)

The following table summarizes the valuation of RMHC-Denver's investments on a recurring basis by the above fair value hierarchy levels:

	2019	Level 1	Level 2
Mutual funds:			
Bond funds:			
Low-duration institutional funds	\$ 1,330,373	\$ 1,330,373	\$ —
Equity funds:			
U.S. large cap stock funds	1,538,936	1,538,936	—
EAFE stock funds	648,045	648,045	—
European large cap stock funds	132,156	132,156	—
Japanese large cap stock funds	23,696	23,696	—
Asia ex-Japan stock funds	23,937	23,937	—
Certificates of deposit	3,177,663	—	3,177,663
Total Investments	\$ 6,874,806	\$ 3,697,143	\$ 3,177,663
	2018	Level 1	Level 2
Money market funds	\$ 47,018	\$ 47,018	\$ —
Mutual funds:			
Bond funds:			
Low-duration institutional funds	693,875	693,875	—
Equity funds:			
U.S. stock funds	471,547	471,547	—
International stock funds	308,926	308,926	—
U.S. targeted value	38,517	38,517	—
Emerging markets stock funds	162,719	162,719	—
Global funds	143,286	143,286	—
Certificates of deposit	2,964,534	—	2,964,534
Total Investments	\$ 4,830,422	\$ 1,865,888	\$ 2,964,534

13. Related Party Transactions

RMHC-Denver remits 25% of the proceeds from certain fundraising activities to RMHC Global. During the years ended December 31, 2019 and 2018, total donations to RMHC Global recognized were \$13,692 and \$12,294, respectively. As of December 31, 2019 and 2018, RMHC-Denver owed RMHC Global \$4,278 and \$1,906, respectively. These amounts are included in accounts payable.

RMHC Global also makes donations to RMHC-Denver throughout the year. These gifts totaled \$343,223 and \$442,817 for the years ended December 31, 2019 and 2018, respectively.

During 2018, architectural services relating to the remodel of a kitchen at the Denver House were provided by a business partially controlled by a member of the RMHC-Denver Board of Directors. Payments to this related party during 2018 totaled \$64,054.

14. Recent Accounting Pronouncements

In February 2016, 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 an entity'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 financial statements.

15. Contingencies

From time to time, RMHC-Denver may be subject to claims and other contingent liabilities that arise in the ordinary course of operations. It is the opinion of management that the disposition or ultimate resolution of such claims or contingent liabilities will not have a material adverse effect on the statements of financial position, activities, functional expense or cash flows.

16. Subsequent Events

Management evaluated subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

Notes To Financial Statements *(Continued)*

Subsequent to year end, the World Health Organization declared the spread of the coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to RMHC-Denver, COVID-19 may affect various parts of its 2020 operations and financial results, including the receipt of contributions and collections on outstanding pledges receivable. RMHC-Denver's house occupancy has declined substantially since the COVID-19 outbreak. In addition, investment markets have experienced significant volatility. Management believes RMHC-Denver is taking appropriate actions through a four-phased plan to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated as these events are still developing.

In April 2020, RMHC-Denver received a \$270,900 loan from the Payroll Protection Program element of the CARES Act (the Act). This loan may qualify for partial or full forgiveness, has a term of two years (although borrower and lender are permitted under the Act to extend the term for a period of up to five years) and, to the extent not forgiven, bears interest at 1% per year. Additionally, in April 2020, RMHC-Denver received an allocation of \$100,000 of RMHC Global's emergency grant. This grant is unrestricted and available for general operations.