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***RONALD MCDONALD HOUSE  
CHARITIES OF DENVER, INC.***  
*FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019*

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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 Ronald McDonald House Charities of Denver, Inc., which comprise the statement 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 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 Ronald McDonald House Charities of Denver, Inc. as of December 31, 2020 and 2019 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.

*RubinBrown LLP*

June 17, 2021

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF FINANCIAL POSITION

### Assets

	December 31,	
	2020	2019
<b>Current Assets</b>		
Cash and cash equivalents	\$ 303,019	\$ 257,646
Investments	8,526,202	6,874,806
Receivables:		
Net pledges	—	29,646
Contributions	178,952	224,318
Other	138,037	113,576
Prepaid expenses	17,637	10,391
Restricted cash and cash equivalents	—	602,603
Restricted investments	549,454	—
<b>Total Current Assets</b>	<b>9,713,301</b>	<b>8,112,986</b>
<b>Beneficial Use Of Land</b>	<b>130,275</b>	<b>130,353</b>
<b>Property And Equipment</b>		
Land	167,000	167,000
Buildings and improvements	27,091,945	27,000,505
Furnishings and equipment	600,406	501,568
	<b>27,859,351</b>	<b>27,669,073</b>
Less: Accumulated depreciation	8,101,965	7,338,274
<b>Net Property And Equipment</b>	<b>19,757,386</b>	<b>20,330,799</b>
<b>Total Assets</b>	<b>\$ 29,600,962</b>	<b>\$ 28,574,138</b>

### Liabilities And Net Assets

<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 210,965	\$ 259,268
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	6,028,167	4,218,151
Property and equipment	19,757,386	20,330,799
Board-designated capital fund	2,831,641	2,750,000
<b>Total Without Donor Restrictions</b>	<b>28,617,194</b>	<b>27,298,950</b>
With donor restrictions	772,803	1,015,920
<b>Total Net Assets</b>	<b>29,389,997</b>	<b>28,314,870</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 29,600,962</b>	<b>\$ 28,574,138</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues, Gains And Other Support</b>			
Contributions	\$ 1,731,995	\$ 114,248	\$ 1,846,243
In-kind contributions	546,295	—	546,295
Grant revenue	272,601	—	272,601
Guest donations	59,495	—	59,495
Special events revenue	385,980	—	385,980
Room revenue	867,314	—	867,314
Net assets released from restrictions	368,257	(368,257)	—
<b>Total Operating Revenues, Gains And Other Support</b>	<b>4,231,937</b>	<b>(254,009)</b>	<b>3,977,928</b>
<b>Operating Expenses</b>			
Program services:			
Ronald McDonald House	2,595,185	—	2,595,185
Care Mobile	6,730	—	6,730
Family Room program	8,165	—	8,165
<b>Total Program Services</b>	<b>2,610,080</b>	<b>—</b>	<b>2,610,080</b>
Supporting services:			
Management and general	612,477	—	612,477
Fundraising	361,714	—	361,714
Cost of direct benefits to donors	20,948	—	20,948
<b>Total Supporting Services</b>	<b>995,139</b>	<b>—</b>	<b>995,139</b>
<b>Total Operating Expenses</b>	<b>3,605,219</b>	<b>—</b>	<b>3,605,219</b>
<b>Change In Net Assets Relating To Operations</b>	<b>626,718</b>	<b>(254,009)</b>	<b>372,709</b>
<b>Nonoperating Income And Expenses</b>			
Investment gain	698,769	10,892	709,661
Unallocated payments to RMHC Global	(7,243)	—	(7,243)
<b>Total Nonoperating Income And Expenses</b>	<b>691,526</b>	<b>10,892</b>	<b>702,418</b>
<b>Change In Total Net Assets</b>	<b>1,318,244</b>	<b>(243,117)</b>	<b>1,075,127</b>
<b>Net Assets At Beginning Of Year</b>	<b>27,298,950</b>	<b>1,015,920</b>	<b>28,314,870</b>
<b>Net Assets At End Of Year</b>	<b>\$ 28,617,194</b>	<b>\$ 772,803</b>	<b>\$ 29,389,997</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues, Gains And Other Support</b>			
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)	—
<b>Total Operating Revenues, Gains And Other Support</b>	<b>5,030,800</b>	<b>(159,125)</b>	<b>4,871,675</b>
<b>Operating Expenses</b>			
Program services:			
Ronald McDonald House	2,994,552	—	2,994,552
Scholarships and grants	18,619	—	18,619
SHHC	12,850	—	12,850
Family Room program	41,117	—	41,117
<b>Total Program Services</b>	<b>3,067,138</b>	<b>—</b>	<b>3,067,138</b>
Supporting services:			
Management and general	612,209	—	612,209
Fundraising	279,429	—	279,429
Cost of direct benefits to donors	63,990	—	63,990
<b>Total Supporting Services</b>	<b>955,628</b>	<b>—</b>	<b>955,628</b>
<b>Total Operating Expenses</b>	<b>4,022,766</b>	<b>—</b>	<b>4,022,766</b>
<b>Change In Net Assets Relating To Operations</b>	<b>1,008,034</b>	<b>(159,125)</b>	<b>848,909</b>
<b>Nonoperating Income And Expenses</b>			
Contribution of SHHC net assets	(269,748)	—	(269,748)
Investment gain	451,196	—	451,196
Unallocated payments to RMHC Global	(13,691)	—	(13,691)
<b>Total Nonoperating Income And Expenses</b>	<b>167,757</b>	<b>—</b>	<b>167,757</b>
<b>Change In Total Net Assets</b>	<b>1,175,791</b>	<b>(159,125)</b>	<b>1,016,666</b>
<b>Net Assets At Beginning Of Year</b>	<b>26,123,159</b>	<b>1,175,045</b>	<b>27,298,204</b>
<b>Net Assets At End Of Year</b>	<b>\$ 27,298,950</b>	<b>\$ 1,015,920</b>	<b>\$ 28,314,870</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2020

	Program Services				Supporting Services					
	Ronald McDonald House	Care Mobile	Family Room Program	Total Program Services	Management And General	Fund- Raising	Direct Benefits To Donors	Cost Of Supporting Services	Total Expenses	
Salaries	\$ 595,904	\$ —	\$ 5,214	\$ 601,118	\$ 209,920	\$ 228,142	\$ —	\$ 438,062	\$ 1,039,180	
Payroll taxes	40,840	—	478	41,318	29,416	12,580	—	41,996	83,314	
Benefits	84,395	—	399	84,794	45,578	22,268	—	67,846	152,640	
Miscellaneous professional services	292,989	—	—	292,989	37,815	37,956	—	75,771	368,760	
Advertising	—	—	—	—	—	8,000	—	8,000	8,000	
Dues, subscriptions and licenses	985	—	—	985	6,592	3,389	—	9,981	10,966	
Depreciation	744,904	—	—	744,904	16,579	2,207	—	18,786	763,690	
Rent expense	6,616	—	—	6,616	—	—	—	—	6,616	
Utilities	134,360	—	—	134,360	7,085	515	—	7,600	141,960	
Insurance	88,648	—	272	88,920	6,336	2,464	—	8,800	97,720	
Supplies and printing	24,387	—	1,619	26,006	3,247	8,643	—	11,890	37,896	
Repairs and maintenance	158,901	—	42	158,943	343	379	—	722	159,665	
Event expenses	—	—	—	—	—	—	20,948	20,948	20,948	
Telephone and postage	30,738	—	56	30,794	4,121	5,316	—	9,437	40,231	
Volunteers and donors	2,296	—	(54)	2,242	(230)	951	—	721	2,963	
Donated food and cleaning supplies	324,799	—	—	324,799	—	—	—	—	324,799	
Donated services	2,055	—	—	2,055	156,634	—	—	156,634	158,689	
COVID-19 related expense	5,369	—	—	5,369	—	—	—	—	5,369	
Other	56,999	6,730	139	63,868	89,041	28,904	—	117,945	181,813	
<b>Total Expenses</b>	<b>\$ 2,595,185</b>	<b>\$ 6,730</b>	<b>\$ 8,165</b>	<b>\$ 2,610,080</b>	<b>\$ 612,477</b>	<b>\$ 361,714</b>	<b>\$ 20,948</b>	<b>\$ 995,139</b>	<b>\$ 3,605,219</b>	



# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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

	Program Services					Supporting Services				
	Ronald McDonald House	Sky High Care Mobile	Hope Camp	Family Room Program	Total Program Services	Management And General	Fund- Raising	Direct Benefits To Donors	Total Supporting Services	Total Expenses
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	382,931
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	—	—	—	—	12,850
Telephone and postage	33,822	—	—	9	33,831	1,327	2,738	—	4,065	37,896
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	216,324
<b>Total Expenses</b>	<b>\$ 2,994,552</b>	<b>\$ 18,619</b>	<b>\$ 12,850</b>	<b>\$ 41,117</b>	<b>\$ 3,067,138</b>	<b>\$ 612,209</b>	<b>\$ 279,429</b>	<b>\$ 63,990</b>	<b>\$ 955,628</b>	<b>\$ 4,022,766</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31	
	2020	2019
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 1,075,127	\$ 1,016,666
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonoperating contribution of SHHC net assets	—	269,748
Depreciation	763,690	830,488
Net realized and unrealized gain on investments	(558,752)	(295,456)
Reinvested dividends and capital gains	(150,909)	(94,963)
Net discount amortization	78	78
Changes in assets and liabilities:		
Contributions receivable	45,366	(28,516)
Pledges receivable	29,646	5,796
Other receivables	(24,461)	(23,842)
Prepaid expenses	(7,246)	14,415
Inventory	—	303
Accounts payable and accrued liabilities	(48,303)	74,576
<b>Net Cash Provided By Operating Activities</b>	<b>1,124,236</b>	<b>1,769,293</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(7,311,090)	(9,161,103)
Proceeds from sale of investments	5,819,901	7,507,138
Purchases of property and equipment	(190,277)	(126,845)
Contribution of SHHC net assets	—	(269,748)
<b>Net Cash Used In Investing Activities</b>	<b>(1,681,466)</b>	<b>(2,050,558)</b>
<b>Net Decrease In Cash, Cash Equivalents And Restricted Cash</b>	<b>(557,230)</b>	<b>(281,265)</b>
<b>Cash, Cash Equivalents And Restricted Cash At Beginning Of Year</b>	<b>860,249</b>	<b>1,141,514</b>
<b>Cash, Cash Equivalents And Restricted Cash At End Of Year</b>	<b>\$ 303,019</b>	<b>\$ 860,249</b>
<b>Cash, Cash Equivalents And Restricted Cash</b>		
Cash and cash equivalents	\$ 303,019	\$ 257,646
Restricted cash and cash equivalents	—	602,603
<b>Cash, Cash Equivalents And Restricted Cash At End Of Year</b>	<b>\$ 303,019</b>	<b>\$ 860,249</b>

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# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

### 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. The 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 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 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 ceased funding the Care Mobile program in 2020.

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.

## **RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.**

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### Notes To Financial Statements (*Continued*)

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.

#### **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.

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### Notes To Financial Statements (Continued)

#### *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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Services	\$ 181,281	\$ 81,148
Food, supplies and activities	248,861	692,585
Auction items	116,153	134,912
<b>Total In-Kind Contributions</b>	<b>\$ 546,295</b>	<b>\$ 908,645</b>

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 9,646 and 43,096 volunteer hours in 2020 and 2019, 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 contributions primarily, 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 Accounting Standards Update 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.

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### Notes To Financial Statements (Continued)

The following table is a disaggregation of the timing of recognition of those revenues that are subject to Topic 606 (special events and room revenue):

	<u>2020</u>	<u>2019</u>
Services rendered over time	\$ 867,314	\$ 1,077,771
Services recognized at a point in time	385,980	510,934
	<u>\$ 1,253,294</u>	<u>\$ 1,588,705</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.

### 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.

### 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, 2020 and 2019, no impairment losses have been recognized.

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### Notes To Financial Statements (*Continued*)

#### **Concentrations Of Credit Risk**

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

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.

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### 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, 2020 or 2019.

#### **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 2020 and 2019, advertising and promotion costs totaled \$8,000 and \$8,037, respectively.



## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### 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 marketable investments.

The following table reflects RMHC-Denver's financial assets as of December 31, 2020 and 2019, 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.

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 303,019	\$ 860,249
Contributions, pledges and other receivable	316,989	367,540
Investments	9,075,656	6,874,806
<b>Total Financial Assets</b>	<b>9,695,664</b>	<b>8,102,595</b>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	772,803	1,015,920
Less net assets with purpose restrictions expected to be met in less than one year	(31,308)	(150,242)
	741,495	865,678
Board-designated reserve	2,831,641	2,750,000
<b>Total Amounts Not Available To Be Used Within One Year</b>	<b>3,573,136</b>	<b>3,615,678</b>
<b>Financial Assets Available To Meet General Expenditures Over The Next 12 Months</b>	<b>\$ 6,122,528</b>	<b>\$ 4,486,917</b>

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### Notes To Financial Statements (Continued)

#### 3. Restricted Cash And Investments

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

	<u>2020</u>	<u>2019</u>
Coca-Cola purchases	\$ —	\$ 46,509
Permanent endowment (Notes 7 and 8)	546,250	546,250
Other	3,204	9,844
<b>Total Restricted Cash And Investments</b>	<b>\$ 549,454</b>	<b>\$ 602,603</b>

#### 4. Investments

RMHC-Denver's investments, at fair value (see Note 12), consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 991,476	\$ 3,177,663
Mutual funds:		
Bond funds	3,247,325	1,330,373
Equity funds	4,634,252	2,366,770
Cash held for investment	202,603	—
<b>Total Investments</b>	<b>\$ 9,075,656</b>	<b>\$ 6,874,806</b>

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

	<u>2020</u>	<u>2019</u>
Net unrealized gain on investments	\$ 618,014	\$ 288,946
Net realized gain on sale of investments	(59,262)	6,510
Interest and dividend income	150,909	155,740
<b>Total Investment Return</b>	<b>\$ 709,661</b>	<b>\$ 451,196</b>

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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Notes To Financial Statements (Continued)

### 5. Pledges And Contributions Receivable

RMHC-Denver's gross pledges receivable of \$1,640 and \$32,686 at December 31, 2020 and 2019, respectively, consist of pledges of support for general operations. Management has recorded an allowance for doubtful accounts of \$1,640 and \$3,040 for the years ended December 31, 2020 and 2019, respectively, which is netted against the gross pledges receivable on the statement of financial position. Additionally, the contributions receivable of \$178,952 at December 31, 2020 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 \$110,416 and \$81,850 consists of billings for stays in 2020 and 2019, respectively. The Medicaid receivables are due in less than one year. The other remaining receivable related to canister collections amounted to \$27,621 and \$31,726 as of December 31, 2020 and 2019, respectively.

### 7. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or future period:		
Pledges and contributions receivable	\$ 66,370	\$ 253,964
Coca-Cola purchases	—	46,509
Aurora land use	130,275	130,353
Other	29,908	38,844
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
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 772,803</b>	<b>\$ 1,015,920</b>

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### Notes To Financial Statements (Continued)

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished	\$ 82,149	\$ 343,620
Time restrictions expired	<u>286,108</u>	<u>372,155</u>
	<u>\$ 368,257</u>	<u>\$ 715,775</u>

## 8. Endowment

RMHC-Denver's net assets with donor restrictions includes a donor-restricted endowment fund 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 Financial Accounting Standards Board. 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.**

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### 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, 2020 and 2019. As of December 31, 2020 and 2019, 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, 2020 and 2019, 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 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, 2020 and 2019. Additionally, for both years ended December 31, 2020 and 2019, \$6,616 of the restricted contribution was released from restriction as rent expense of \$6,616 was recognized. As of December 31, 2020 and 2019, the value of the beneficial use of land was \$130,275 and \$130,353, respectively.

**10. Savings Incentive Plan**

All active employees, full and part-time, receive a savings incentive benefit equal to 5% of their year-to-date earnings, commencing in the seventh month of continuous employment. RMHC-Denver contributions under this benefit totaled \$52,639 in 2020 and \$48,606 in 2019.

## **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, 2020 and 2019, the Board-designated funds totaled \$2,831,641 and \$2,750,000, 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.

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.

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

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### Notes To Financial Statements (Continued)

**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, 2020 and 2019.

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

	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>
Mutual funds:			
Bond funds:			
Low-duration institutional funds	\$ 1,418,353	\$ 1,418,353	\$ —
U.S. fixed income	1,064,024	1,064,024	—
Non-U.S. fixed income	764,948	764,948	—
Equity funds:			
U.S. large cap stock funds	3,088,935	3,088,935	—
EAFE stock funds	1,009,885	1,009,885	—
European large cap stock funds	200,453	200,453	—
Japanese large cap stock funds	97,489	97,489	—
Asia ex-Japan stock funds	49,881	49,881	—
Emerging market stock funds	187,609	187,609	—
Certificates of deposit	991,476	—	991,476
Amount not subject to leveling (cash held for investment)	202,603	—	—
<b>Total Investments</b>	<b>\$ 9,075,656</b>	<b>\$ 7,881,577</b>	<b>\$ 991,476</b>



## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

### Notes To Financial Statements (Continued)

	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>
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
<b>Total Investments</b>	<b>\$ 6,874,806</b>	<b>\$ 3,697,143</b>	<b>\$ 3,177,663</b>

### 13. Related Party Transactions

RMHC-Denver remits 25% of the proceeds from certain fundraising activities to RMHC Global. During the years ended December 31, 2020 and 2019, total donations to RMHC Global recognized were \$7,243 and \$13,692, respectively. As of December 31, 2020 and 2019, RMHC-Denver owed RMHC Global \$3,339 and \$4,278, respectively. These amounts are included in accounts payable.

RMHC Global also makes donations to RMHC-Denver throughout the year. These gifts totaled \$374,831 and \$343,223 for the years ended December 31, 2020 and 2019, respectively.

### 14. Recent Accounting Pronouncements

In February 2016, Financial Accounting Standards Board 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. Paycheck Protection Program Loan**

RMHC-Denver received a loan in 2020 in the amount of \$270,900 that is part of the Paycheck Protection Program (the PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and administered by the U.S. Small Business Administration (the SBA). In accordance with the requirements of the CARES Act, RMHC-Denver believes that it has used the proceeds from the loan exclusively for qualified expenses under the PPP, as further detailed in the CARES Act and applicable guidance issued by the SBA, and the loan would be forgiven in full, and therefore will treat the loan as a government grant. As U.S. generally accepted accounting principles do not contain guidance on the accounting for government grants, RMHC-Denver is following the guidance in International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance* (IAS 20). Under the provisions of IAS 20, a forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. Under IAS 20, government grants are recorded as earnings as required activities are undertaken.

In December 2020, RMHC-Denver applied for forgiveness of the loan and was granted forgiveness of the full balance of \$270,900, which is equal to the sum of qualified expenses under the PPP incurred during the covered period following initial disbursement. \$1,701 worth of accrued interest was also forgiven. Accordingly, RMHC-Denver has recorded grant income for the loan forgiveness in the statement of activities.

## **16. 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.

## **17. Risks And Uncertainties**

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus, also known as COVID-19, as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and had adversely impacted global commercial activity and contributed to significant volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to RMHC-Denver and its financial results. The coronavirus outbreak was largely responsible for an 18% decrease in its operating revenue, gains and other support for the year ended December 31, 2020. RMHC-Denver’s room revenue census is gradually increasing to historical rates in 2021.

## **18. 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.

In February 2021, RMHC-Denver received a \$246,962 second draw loan from the PPP element of the CARES Act. This loan may qualify for partial or full forgiveness, has a term of two years (although borrower and lender are permitted under the CARES 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.