

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2020 AND 2019

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

June 16, 2021

Board of Directors
Ronald McDonald House Charities of Western Washington & Alaska
Seattle, Washington

We have audited the accompanying financial statements of Ronald McDonald House Charities of Western Washington & Alaska (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activity, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Western Washington & Alaska as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,806,679	\$ 1,535,632
Investments	18,818,017	18,540,578
Promises to give	1,299,223	130,530
Other receivables	26,530	55,990
Prepays	30,490	28,034
Total Current Assets	<u>22,980,939</u>	<u>20,290,764</u>
Investments - long-term	3,679,225	3,636,174
Promises to Give - long-term	384,350	-
Cash and Cash Equivalents Restricted to Investment in Property and Equipment	351,722	444,092
Property and Equipment, net	<u>13,576,370</u>	<u>10,639,671</u>
	<u>\$ 40,972,606</u>	<u>\$ 35,010,701</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 578,269	\$ 397,327
Unearned revenue	18,478	18,478
Capital lease obligation, current	1,280	1,838
Total Current Liabilities	598,027	417,643
Capital Lease Obligation, less current portion above	<u>-</u>	<u>1,280</u>
Total Liabilities	<u>598,027</u>	<u>418,923</u>
Net Assets		
Without donor restrictions		
Invested in property and equipment	10,620,426	7,683,727
Board designated	21,714,263	22,603,683
Total Net Assets Without Donor Restrictions	<u>32,334,689</u>	<u>30,287,410</u>
With donor restrictions	<u>8,039,890</u>	<u>4,304,368</u>
Total Net Assets	<u>40,374,579</u>	<u>34,591,778</u>
	<u>\$ 40,972,606</u>	<u>\$ 35,010,701</u>

See notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Annual giving	\$ 1,593,771	\$ 564,694	\$ 2,158,465	\$ 1,579,740	\$ 523,714	\$ 2,103,454
Capital campaign	-	3,537,480	3,537,480	-	-	-
McDonald's support	658,262	-	658,262	785,973	-	785,973
Special events	367,966	417,349	785,315	508,017	503,810	1,011,827
Planned giving	90,176	-	90,176	50,000	-	50,000
Paycheck Protection Program	390,150	-	390,150	-	-	-
In-kind contributions	236,161	-	236,161	53,602	-	53,602
Satisfaction of purpose restrictions	835,384	(835,384)	-	863,838	(863,838)	-
Total Public Support	4,171,870	3,684,139	7,856,009	3,841,170	163,686	4,004,856
Revenues						
Room receipts	405,631		405,631	596,010		596,010
Other revenue	(2,765)		(2,765)	(5,022)		(5,022)
Total Revenues	402,866		402,866	590,988		590,988
Total Public Support and Revenue	4,574,736	3,684,139	8,258,875	4,432,158	163,686	4,595,844
Expenses						
Program services	3,543,361		3,543,361	3,300,884		3,300,884
Management and general	321,793		321,793	361,243		361,243
Cost of direct benefits to donors	3,372		3,372	111,686		111,686
Fundraising	682,653		682,653	691,158		691,158
Remittance to Global	54,599		54,599	89,774		89,774
Total Expenses and Remittance to Global	4,605,778		4,605,778	4,554,745		4,554,745
Change in Net Assets Before Gains and Losses	(31,042)	3,684,139	3,653,097	(122,587)	163,686	41,099
Gains and Losses						
Investment returns, net	2,078,321	51,383	2,129,704	2,717,887	89,269	2,807,156
Total Change in Net Assets	2,047,279	3,735,522	5,782,801	2,595,300	252,955	2,848,255
Net Assets - beginning of year	30,287,410	4,304,368	34,591,778	27,692,110	4,051,413	31,743,523
Net Assets - end of year	\$ 32,334,689	\$ 8,039,890	\$ 40,374,579	\$ 30,287,410	\$ 4,304,368	\$ 34,591,778

See notes to financial statements.

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020					2019				
	Program Services	Management and General	Cost of Direct Donor Benefits	Fundraising	Total	Program Services	Management and General	Cost of Direct Donor Benefits	Fundraising	Total
Salaries and wages	\$ 1,222,078	\$ 180,048	\$ -	\$ 350,517	\$ 1,752,643	\$ 1,157,781	\$ 172,999	\$ -	\$ 328,940	\$ 1,659,720
Payroll taxes	104,654	15,419	-	30,017	150,090	101,095	15,106	-	28,722	144,923
Employee benefits	229,874	33,867	-	65,933	329,674	229,533	34,297	-	65,213	329,043
Total Salaries and Related Expenses	1,556,606	229,334	-	446,467	2,232,407	1,488,409	222,402	-	422,875	2,133,686
Occupancy	905,537	-	-	-	905,537	937,334	-	-	-	937,334
Depreciation	394,075	6,094	-	6,094	406,263	415,156	6,420	-	6,420	427,996
Alaska House support	325,074	-	-	-	325,074	301,532	-	-	-	301,532
In-kind expense	236,161	-	-	-	236,161	36,102	-	-	17,500	53,602
Professional services	1,823	67,294	-	36,975	106,092	-	115,867	-	-	115,867
Administrative and operating	45,620	11,287	-	40,843	97,750	48,016	7,932	-	47,530	103,478
Armored car expenses	-	-	-	84,281	84,281	-	-	-	84,707	84,707
Special events expenses	-	-	3,372	66,689	70,061	-	-	111,686	109,811	221,497
Insurance	55,668	6,185	-	-	61,853	57,352	6,373	-	-	63,725
Loss on disposal of equipment	15,681	243	-	243	16,167	-	-	-	-	-
Miscellaneous	7,116	1,356	-	1,061	9,533	16,983	2,249	-	2,315	21,547
Total Expenses	\$ 3,543,361	\$ 321,793	\$ 3,372	\$ 682,653	4,551,179	\$ 3,300,884	\$ 361,243	\$ 111,686	\$ 691,158	4,464,971
Remittance to Global					54,599					89,774
Total Expenses and Remittance to Global					\$ 4,605,778					\$ 4,554,745

RONALD McDONALD HOUSE CHARITIES
OF WESTERN WASHINGTON & ALASKA

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 5,782,801	\$ 2,848,255
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	406,263	427,996
Reinvested investment earnings	(302,700)	(392,340)
Realized and unrealized gain on investments	(1,825,970)	(2,414,817)
Loss on disposal of assets	16,167	-
Contributions restricted to investment in property and equipment	(3,537,480)	(152,820)
Change in:		
Promises to give	(74,394)	108,514
Other receivables	29,460	(10,344)
Prepays	(2,456)	(5,397)
Accounts payable and accrued expenses	(102,414)	16,141
Net Cash Provided by Operating Activities	<u>389,277</u>	<u>425,188</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(3,075,773)	(457,228)
Purchases of investments	(13,687,478)	(14,846,508)
Proceeds from sale of investments	<u>15,495,658</u>	<u>12,906,147</u>
Net Cash Used by Investing Activities	<u>(1,267,593)</u>	<u>(2,397,589)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted to investment in property and equipment	2,058,831	152,820
Payment on capital lease obligation	<u>(1,838)</u>	<u>(1,745)</u>
Net Cash Provided by Financing Activities	<u>2,056,993</u>	<u>151,075</u>
Change in Cash and Cash Equivalents	1,178,677	(1,821,326)
Total Cash and Cash Equivalents - beginning of year	<u>1,979,724</u>	<u>3,801,050</u>
Total Cash and Cash Equivalents - end of year	3,158,401	1,979,724
Less: Cash and Cash Equivalents Restricted to Investment in Property and Equipment	<u>(351,722)</u>	<u>(444,092)</u>
Cash and Cash Equivalents	<u>\$ 2,806,679</u>	<u>\$ 1,535,632</u>

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ronald McDonald House Charities of Western Washington & Alaska (RMHC) owns and operates the Seattle Ronald McDonald House. With 80 rooms, the Seattle House provides supportive, temporary lodging to families of seriously ill children who must leave their own community to have their children treated at Seattle Children's Hospital (Children's). In 2020, 250 families stayed at the Seattle House. By providing a "home-away-from-home," RMHC helps keep families together during a very difficult time in their lives.

RMHC also operates a House in Anchorage, Alaska, in partnership with the Alaska Native Medical Center (ANMC). The 34-room House is within the patient housing building and serves expectant mothers with high risk pregnancies as well as families of pediatric patients at the Alaska Native Medical Center. In 2020, 1,448 families were served at ANMC.

RMHC also provides van service in Anchorage to transport families who are in Anchorage while their children receive medical care.

Basis of presentation

Net assets, revenues, gains, and losses 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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated net assets otherwise without donor restrictions as follows as of December 31:

	<u>2020</u>	<u>2019</u>
House operations	\$ 18,714,263	\$ 19,603,683
Capital improvements	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 21,714,263</u>	<u>\$ 22,603,683</u>

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are available as follows as of December 31:

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>2020</u>	<u>2019</u>
Subject to expenditure or use for specific purpose:		
Promised land use	\$ 2,955,944	\$ 2,955,944
AK equipment & supply grants	15,777	19,143
Capital improvements	351,722	317,876
RMHC house expansion	3,690,300	152,820
RMHC house operations	<u>346,922</u>	<u>222,411</u>
	7,360,665	3,668,194
Subject to RMHC endowment spending policy and appropriation	<u>679,225</u>	<u>636,174</u>
Total net assets with donor restrictions	<u>\$ 8,039,890</u>	<u>\$ 4,304,368</u>

Contributions restricted by donors are reported increases in net assets with donor restrictions when received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents consist of general checking and savings accounts and money market accounts. RMHC maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. RMHC has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are reported at their fair values in the statements of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Gains and losses on investments are reported as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor stipulation. Investment returns are reflected net of investment expenses.

RMHC maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Certain investments are being held for the following long-term purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Capital improvements	\$ 3,000,000	\$ 3,000,000
Endowment	<u>679,225</u>	<u>636,174</u>
	<u>\$ 3,679,225</u>	<u>\$ 3,636,174</u>

Promises to give

In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received and as assets, reduction of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give at December 31, 2020 and 2019 are \$1,683,573 and \$130,530, respectively, which are considered fully collectible by management. Long-term promises to give are due in one to five years.

Medicaid receivables

In accordance with financial accounting standards, room receipts from Medicaid are recognized as revenue in the period earned and recorded as receivables if not paid by year-end. Amounts receivable from Medicaid at December 31, 2020 and 2019 are \$26,530 and \$55,050, respectively, and are included in other receivables.

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Expenditures for the acquisition of equipment are capitalized at cost. The fair value of donated property, including long-term land leases, and equipment is capitalized on the date of donation. RMHC capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided over the estimated useful lives of the assets on the straight-line method. RMHC uses the direct expensing method to account for planned maintenance activities. Property and equipment consist of the following as of December 31:

	Estimated <u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Land		\$ 5,457,802	\$ 3,005,944
Building and improvements	15-40 years	13,738,225	13,708,138
Furniture and fixtures	5-7 years	2,301,770	2,283,094
Vehicles	5 years	144,592	111,901
Construction in progress		<u>1,628,949</u>	<u>833,661</u>
		23,271,338	19,942,738
Accumulated depreciation		<u>(9,694,968)</u>	<u>(9,303,067)</u>
		<u>\$ 13,576,370</u>	<u>\$ 10,639,671</u>

Children's Health Care System (an affiliate of Children's) holds title to, and is the landlord for, all real estate (land) associated with grounds of the RMHC houses. The ground lease associated with the original house is for \$1 per year for a term of 99 years, from May 1983 through April 2082. The use of the land is restricted for the purposes of operating the house or a similar facility. The estimated fair value of the land in 1983, when its use was first donated, was \$829,544. The value of the land is included in net assets with donor restrictions.

The ground lease associated with the second house is for \$1 per year for a term of 99 years, from September 2002 through August 2101. The lease requires the lessor's prior written permission for changes in the agreed upon use of the second house, assignment, subletting, and significant changes related to the initial construction.

In addition, the lease prohibits use of the building as collateral except for a construction loan, and gives the lessor first right to purchase the buildings and equipment at the expiration of the lease term. The estimated fair value of the land in 2002, when its use was first donated, was \$2,126,400. The value of the land is included in net assets with donor restrictions.

RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted cash flows. We measure the impairment loss based on the difference between the carrying amount and the estimated fair value. No impairment losses were recognized for the years ended December 31, 2020 or 2019.

Support and revenue recognition

RMHC recognizes revenue from room stays in the period in which the room is occupied. RMHC records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

RMHC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. RMHC had no conditional promises to give as of December 31, 2020 or 2019.

Donated goods and services

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Donated assets, goods, and services were used for program and supporting services and were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Donated goods	\$ 225,761	\$ 24,158
Donated services	<u>10,400</u>	<u>29,444</u>
Total in-kind contributions and expense	<u>\$ 236,161</u>	<u>\$ 53,602</u>

In accordance with financial accounting standards, the financial statements reflect only those donated services requiring specific expertise which RMHC would otherwise need to purchase. However, many individual volunteers donate significant amounts of time and perform a variety of tasks that assist RMHC. For the years ended December 31, 2020 and 2019, management estimates that RMHC received approximately 14,719 and 44,600 hours with estimated values of \$420,109 and \$1,167,628, respectively.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category.

Certain categories of expenses are attributable to one or more program or supporting functions requiring allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, maintenance and repairs, and utilities, which are allocated on a square footage basis; printing, postage, office supplies, technology and telephone, which are allocated based on full-time equivalents; and salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of time and effort.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Internal Revenue Service has recognized Ronald McDonald House Charities of Western Washington & Alaska as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. RMHC follows the provisions of authoritative guidance related to accounting for uncertain tax positions. As of December 31, 2020, RMHC did not have any uncertain tax positions requiring accrual.

Reclassification

Certain accounts in the 2019 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2019.

NOTE B - LIQUIDITY

RMHC strives to maintain cash and short-term investments sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in a managed stock portfolio.

RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE B - LIQUIDITY (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 27,365,746	\$ 24,342,996
Less financial assets not available for general operations within one year:		
Promise to give due in more than one year	(384,350)	-
Net assets with donor restrictions - non-operating	(367,499)	(489,839)
Board designated capital improvement reserve	(3,000,000)	(3,000,000)
Endowments	<u>(679,225)</u>	<u>(636,174)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,934,672</u>	<u>\$ 20,216,983</u>

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2020 and 2019 is as follows:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
As of December 31, 2020:				
Cash and money market funds	\$ 3,956,787	\$ -	\$ -	\$ 3,956,787
Equity funds	12,334,812	-	-	12,334,812
Fixed income funds	5,723,358	-	-	5,723,358
Alternative investment funds	<u>482,285</u>	<u>-</u>	<u>-</u>	<u>482,285</u>
Total Assets shown at Fair Value	<u>\$ 22,497,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,497,242</u>

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
As of December 31, 2019:				
Cash and money market funds	\$ 1,380,213	\$ -	\$ -	\$ 1,380,213
Equity funds	11,170,950	-	-	11,170,950
Fixed income funds	8,784,315	-	-	8,784,315
Alternative investment funds	<u>841,274</u>	<u>-</u>	<u>-</u>	<u>841,274</u>
Total Assets shown at Fair Value	<u>\$ 22,176,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,176,752</u>

RONALD MCDONALD HOUSE CHARITIES OF
WESTERN WASHINGTON & ALASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. RMHC also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - RELATED PARTY TRANSACTIONS

Under the terms of its affiliation agreement with Ronald McDonald House Charities, Inc., RMHC is obligated to remit 25% of certain contributions, net of fundraising expenses, to that national group on a regular basis. For the years ended December 31, 2020 and 2019, RMHC incurred obligations of \$54,599 and \$89,774, respectively, to the national group, of which \$9,971 and \$19,137, respectively, was included in accounts payable at December 31, 2020 and 2019.

NOTE E - RETIREMENT PLAN

RMHC sponsors a 401(k) defined contribution plan (the Plan). The Plan covers all employees from date of hire. RMHC's contributions to the Plan are at the discretion of the Board of Directors. Currently, RMHC will make a 4% contribution for all eligible employees, based on salary, and match an additional 1% of employee contributions. RMHC's contributions for the years ended December 31, 2020 and 2019 totaled \$86,495 and \$75,948, respectively.

NOTE F - OPERATING AGREEMENT

RMHC and Seattle Children's Hospital have a Memorandum of Understanding which is negotiated and renewed annually. RMHC provides rooms exclusively for families of patients at Children's and Children's provides annual financial support. For the years ended December 31, 2020 and 2019, \$499,280 and \$475,505, respectively, was paid. For the year ending December 31, 2021, \$524,244 will be paid.

NOTE G - COMMITMENTS

In August 2017, RMHC signed an agreement to purchase for \$2,500,000 the PROVAIL property that abuts RMHC's largest building on their Seattle campus. RMHC is using this property to expand their Seattle campus. After receiving a Master Use Permit from the City of Seattle, the sale was finalized in July 2020 and RMHC entered into a \$6.3 million construction contract for the new building. As of December 31, 2020, approximately \$5.8 million remained on this contract.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE H - ENDOWMENT

RMHC's endowment consists of one donor restricted fund ("the Fund") established in 1993 by Mrs. Kroc to help with ongoing "operating expenses." In accordance with financial accounting standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no funds designated by the Board of Directors to function as endowments.

Interpretation of Relevant Law

Based on the Board of Directors' interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in the State of Washington, the original amount of donor-restricted contributions to the endowment plus any required accumulations are not expendable.

As a result of this interpretation, RMHC classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

One hundred percent of the endowment's earnings are available to be spent in the year earned on operating expenses. These earnings represent interest and dividends, exclusive of gains and losses. In establishing this policy, RMHC considered the long-term expected return on its endowment. Accordingly, over the long term, RMHC expects the current spending policy to allow its endowment to maintain purchasing power of the assets held in perpetuity as well as to provide additional real growth through new gifts and investment appreciation.

Return Objectives and Risk Parameters

The investment policy includes a target allocation table that allows for diversity and performance measurement against the appropriate index. The long-term objective of the Fund is to provide income and achieve a target rate of return of CPI + 4% annualized over a full market cycle, defined as 5 to 7 years, with diversification employed to reduce risk.

The relative objectives of the policy are to generate a return in excess of the passive portfolio benchmark for each asset class, exceed the rate of inflation, assumed to be approximately 3% annually over a five- to 10-year period, and exceed the 50th percentile return of a universe comprised of funds or managers with similar objectives and/or styles.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE H - ENDOWMENT (Continued)

Change in endowment funds for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment, beginning of year	\$ 636,174	\$ 589,213
Investment returns, net	51,383	89,269
Appropriated for expenditure	<u>(8,332)</u>	<u>(42,308)</u>
Donor-restricted endowment, end of year	<u>\$ 679,225</u>	<u>\$ 636,174</u>

NOTE I - MAJOR CONTRIBUTOR

Contributions from Seattle Children's Hospital and Western Washington McDonald's Owner Operators Association accounted for 24% and 19%, respectively, of total operating revenue during the year ended December 31, 2020. Promises to give from Western Washington McDonald's Owner Operators Association accounted for 62% of total promises to give at December 31, 2020.

NOTE J - PAYCHECK PROTECTION PROGRAM LOAN

RMHC applied for and received a Paycheck Protection Program loan through Bank of America in the amount of \$390,150. The loan was funded on May 4, 2020 and had a maturity date of May 4, 2022. Paycheck Protection Program loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, and office lease payments. RMHC entered into the program with the intention of complying with the terms for forgiveness and recognized the loan as a conditional grant. In December 2020, RMHC received confirmation of forgiveness.

NOTE K - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020, the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management continues to evaluate the ongoing impacts of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on RMHC's financial position, change in net assets and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2020 through June 16, 2021, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2020, including the estimates inherent in the processing of financial statements.