

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2019 and 2018

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities
of New Mexico, Inc.
Albuquerque, New Mexico

We have audited the accompanying financial statements of Ronald McDonald House Charities of New Mexico, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 New Mexico, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Ronald McDonald House Charities of New Mexico, Inc. as of December 31, 2018, were audited by other auditors whose report, dated May 16, 2019, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Uncertainty Related to the COVID-19 Outbreak

As discussed in Note 14 to the financial statements, the State of New Mexico has issued a stay-at-home order affecting Ronald McDonald House Charities of New Mexico, Inc. as a result of the COVID-19 outbreak. The extent to which the outbreak may impact Ronald McDonald House Charities of New Mexico, Inc. will depend on future developments, which are highly uncertain and cannot be predicted. Our opinion is not modified with respect to this matter.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

July 8, 2020
Albuquerque, New Mexico

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 399,296	\$ 309,418
Lodging and other fees receivable, net	53,739	58,321
Contributions receivable	890,717	260,223
Prepaid expenses	4,099	9,690
Total current assets	<u>1,347,851</u>	<u>637,652</u>
Contributions receivable, net of current portion	659,677	220,627
Investments	1,600,397	4,043,743
Other assets	8,542	3,892
Property and equipment, net	<u>7,331,208</u>	<u>3,810,750</u>
Total assets	<u>\$ 10,947,675</u>	<u>\$ 8,716,664</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 12,207	\$ 35,099
Accrued expenses	32,418	25,057
Deferred revenue	-	6,575
Total current liabilities	<u>44,625</u>	<u>66,731</u>
Total liabilities	44,625	66,731
Net assets		
Without donor restrictions		
Undesignated	7,462,174	6,279,052
Board designated		
Reserves	1,000,000	1,000,000
Endowment	<u>260,951</u>	<u>260,951</u>
Total net assets without donor restrictions	8,723,125	7,540,003
With donor restrictions		
Restricted in perpetuity	629,531	629,331
Restricted for time or purpose	<u>1,550,394</u>	<u>480,599</u>
Total net assets with donor restrictions	<u>2,179,925</u>	<u>1,109,930</u>
Total net assets	<u>10,903,050</u>	<u>8,649,933</u>
Total liabilities and net assets	<u>\$ 10,947,675</u>	<u>\$ 8,716,664</u>

See independent auditors' report and notes to the financial statements

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Statement of Activities and Changes in Net Assets
For the year ended December 31, 2019

(with comparative totals for the year ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Revenue and support				
Contributions and grants	\$ 857,495	\$ 2,199,600	\$ 3,057,095	\$ 1,122,820
Investment income (loss)	197,120	99,568	296,688	(231,266)
Special events, net	179,117	-	179,117	139,776
Lodging fees	239,728	-	239,728	82,805
In-kind contributions	219,892	9,582	229,474	274,001
Other income	3,911	-	3,911	4,303
Net assets released from restrictions	<u>1,238,755</u>	<u>(1,238,755)</u>	<u>-</u>	<u>-</u>
Total revenue and support	2,936,018	1,069,995	4,006,013	1,392,439
Expenses				
Program services	1,462,000	-	1,462,000	1,305,475
Management and general	60,998	-	60,998	57,854
Fundraising	215,824	-	215,824	280,642
Unallocated payments to RMHC Global	<u>14,074</u>	<u>-</u>	<u>14,074</u>	<u>8,734</u>
Total expenses	1,752,896	-	1,752,896	1,652,705
Changes in net assets	1,183,122	1,069,995	2,253,117	(260,266)
Net assets, beginning of year	<u>7,540,003</u>	<u>1,109,930</u>	<u>8,649,933</u>	<u>8,910,199</u>
Net assets, end of year	<u>\$ 8,723,125</u>	<u>\$ 2,179,925</u>	<u>\$ 10,903,050</u>	<u>\$ 8,649,933</u>

See independent auditors' report and notes to the financial statements

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Statement of Functional Expenses

For the year ended December 31, 2019

(with comparative totals for the year ended December 31, 2018)

	Program Services	Management and General	Fundraising	Unallocated Affiliate Payments	2019 Totals	2018 Totals
Salaries and wages	\$ 496,382	\$ 37,700	\$ 94,250	\$ -	\$ 628,332	\$ 638,503
Depreciation	224,951	2,296	2,295	-	229,542	212,699
In-kind expenses	228,865	-	-	-	228,865	94,669
Professional fees	86,173	5,848	14,621	-	106,642	22,043
Employee benefits	69,615	5,287	13,218	-	88,120	78,224
Direct mail services	20,363	-	61,090	-	81,453	82,498
Repairs and maintenance	73,124	4,667	-	-	77,791	44,619
Supplies	52,432	48	475	-	52,955	214,982
Payroll taxes	36,431	2,767	6,917	-	46,115	45,879
Utilities	39,936	203	405	-	40,544	44,961
Insurance	34,686	968	2,361	-	38,015	30,034
Bad debt	27,032	-	-	-	27,032	-
Bank charges	488	34	9,133	-	9,655	15,354
Interest on capital loans	19,984	101	203	-	20,288	-
Unallocated payments to RMHC Global	-	-	-	14,074	14,074	8,374
Contract services	4,167	68	7,780	-	12,015	38,037
Volunteers	9,517	-	-	-	9,517	4,530
Telephone	7,354	559	1,396	-	9,309	8,885
Conferences and meetings	8,531	-	-	-	8,531	14,613
Special events	6,927	-	-	-	6,927	23,452
Postage	4,941	-	1	-	4,942	4,872
Travel	4,828	-	-	-	4,828	4,630
Miscellaneous	3,781	385	13	-	4,179	8,014
Advertising	-	-	1,468	-	1,468	1,833
Annual report and newsletter	700	53	133	-	886	1,282
Public relations	619	1	1	-	621	125
Recruitment	157	12	61	-	230	4,711
Printing	16	1	3	-	20	2,572
Rent and lease	-	-	-	-	-	1,950
Total expenses	\$ 1,462,000	\$ 60,998	\$ 215,824	\$ 14,074	\$ 1,752,896	\$ 1,652,345

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Statements of Cash Flows
December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ 2,253,117	\$ (260,266)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	229,542	212,699
Unrealized (gain) loss on investments	(281,009)	365,654
Realized loss (gain) on investments	18,960	(5,493)
Reinvested dividends and interest, net	(34,510)	(128,755)
Donated stock	(10,096)	-
Amortization of discounts on long-term contributions receivable	(9,582)	(9,172)
In-kind land use	11,500	11,500
Contributions restricted for endowment	(200)	(200)
(Increase) decrease in operating assets:		
Lodging and other fees receivable, net	4,582	(26,883)
Contributions receivable	(1,071,462)	(203,239)
Prepaid expenses	5,591	(2,545)
Other assets	(4,650)	1,586
Increase (decrease) in operating liabilities:		
Accounts payable	(22,892)	14,209
Accrued expenses	7,361	(8,778)
Deferred revenue	(6,575)	(13,803)
Net cash provided (used) by operating activities	1,089,677	(53,486)
Cash flows from investing activities		
Purchases of investments	(809,828)	(935,486)
Proceeds from sale of investments	3,062,223	935,486
Withdrawal from investments, net	497,606	-
Purchases of property and equipment	(3,750,000)	(106,369)
Net cash used by investing activities	(999,999)	(106,369)
Cash flows from financing activities		
Contributions restricted for endowments	200	200
Net cash provided by financing activities	200	200
Net increase (decrease) in cash	89,878	(159,655)
Cash and cash equivalents, beginning of year	309,418	469,073
Cash and cash equivalents, end of year	\$ 399,296	\$ 309,418
Supplemental Disclosures of Cash Flows:		
Cash paid for interest	\$ 20,288	\$ -

See independent auditors' report and notes to the financial statements

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION

Ronald McDonald House Charities of New Mexico, Inc. (the Organization) is a nonprofit organization established in 1982 under the laws of the state of New Mexico. The Organization supports the well-being of children through the following programs:

New Mexico Ronald McDonald House (the House) – As the cornerstone program, the House provides temporary lodging, comfort and support for families of seriously ill and injured children who are being treated at Albuquerque medical facilities. The thirty-room facility is on the campus of the University of New Mexico.

Ronald McDonald Family Rooms (the Family Rooms) – The Organization operates three Family Rooms which extend the comfort of the House to a hospital setting. The Family Rooms are located inside the University of New Mexico’s Children’s Hospital, Presbyterian Hospital, in downtown Albuquerque, and Christus St. Vincent Regional Medical Center in Santa Fe. Located just steps from neonatal and pediatric intensive care units, these respite spaces provide families of critically ill children a place to rest, get something to eat and even do laundry. Additionally, the Family Room at Presbyterian Hospital includes four overnight sleep rooms to allow families to stay within steps of their child’s hospital bed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, certain revenues are recognized when earned rather than when received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

Basis of Presentation

The Organization’s financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Organization is required to present a statement of cash flows and statement of functional expenses.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2018 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications have no impact on the Organization's changes in net assets.

New Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

ASU 2014-19 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance retrospectively to all periods presented in this report. Adoption of the new guidance did not result in significant changes to the accounting policies for revenue recognition, receivables, and deferred revenues since most of the Organization's revenue sources are not included in the scope of ASU 2014-19.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Major estimates of the Organization include depreciable lives and estimated residual value of property and equipment.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

The Organization maintains its cash balances in various financial institutions located in Albuquerque, New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the Organization's cash balances have exceeded federally insured limits. As of December 31, 2019 and 2018, there were uninsured balances of \$79,479 and \$3,082, respectively. Management does not consider there to be significant risk from uninsured balances.

Financial Instruments

The carrying amounts of cash, receivables, other assets, payables and other liabilities approximate fair value due to the short maturity periods of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly-liquid investments with original maturity dates of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Lodging and Other Fees Receivable

Lodging and other fees receivable consists of amounts due from families for services rendered. Management reviews the collectability of its receivables and records a reserve for its estimate of uncollectible accounts. Historical bad debts and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. The Organization had bad debt expense of \$27,032 and zero for the years ended December 31, 2019 and 2018, respectively. The allowance for doubtful accounts was \$730 and zero as of December 31, 2019 and 2018, respectively.

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair values in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. If restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized, the investment income is reported as without donor restrictions.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchased or donated property in excess of \$5,000 is capitalized. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

Net Assets

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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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.

Revenue and Support

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unconditional and Conditional Promises to Give

Contributions received, including unconditional promises to give, are recognized at fair value as revenues in the period received. Additionally, contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Materials and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, performed by people with those skills, which would otherwise be purchased by the Organization.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Significant allocations are determined by management on an equitable basis, as detailed below:

Expense	Method of Allocation
Salaries and wages	Time Spent
Depreciation	Square Footage
Direct mail services	Specific Identification
Land lease	Square footage
Employee Benefits	Time spent

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$1,468 and \$1,833 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Organization is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the year ended December 31, 2019, and has evaluated its tax positions taken for all open tax years. Currently, the 2016, 2017, and 2018 tax years are open and subject to examination by the U.S. Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of pledges and an in-kind land lease receivable. The balance of outstanding pledges is expected to be received as follows:

2020	\$	888,195
2021		259,675
2022		91,175
2023		91,175
		<hr/>
Total	\$	<u>1,330,220</u>

The balance of the in-kind land lease receivable was \$220,174 and \$223,050 as of December 31, 2019 and 2018, respectively, and is amortized at an interest rate of 4%.

**RONALD MCDONALD HOUSE CHARITIES
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Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 4 - INVESTMENTS

The cost, fair value, and unrealized appreciation of investments as of December 31, 2019 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual funds	\$ 1,401,378	\$ 1,560,037	\$ 158,659
Money market funds	40,360	40,360	-
Total investments	<u>\$ 1,441,738</u>	<u>\$ 1,600,397</u>	<u>\$ 158,659</u>

Investment income consists of the following for the year ended December 31, 2019:

Dividends and interest income	\$ 39,590
Realized losses	(18,960)
Unrealized gains	<u>281,009</u>
Total investment gains	301,639
Investment fees	<u>(4,951)</u>
Net investment income	<u>\$ 296,688</u>

The cost, fair value, and unrealized depreciation of investments as of December 31, 2018 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Mutual funds	\$ 3,666,281	\$ 3,540,288	\$ (125,993)
Money market funds	503,455	503,455	-
Total investments	<u>\$ 4,169,736</u>	<u>\$ 4,043,743</u>	<u>\$ (125,993)</u>

Investment loss consists of the following for the year ended December 31, 2018:

Dividends and interest income	\$ 142,565
Realized gains	5,493
Unrealized losses	<u>(365,654)</u>
Total investment loss	(217,596)
Investment fees	<u>(13,670)</u>
Net investment loss	<u>\$ (231,266)</u>

**RONALD MCDONALD HOUSE CHARITIES
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Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 5 - FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018.

Mutual funds: Valued at the net asset value for shares held by the Organization as of year-end as determined by quoted market prices.

Money market funds: Valued at the closing price as reported on the active market on which the individual securities are traded.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 5 - FAIR VALUE MEASUREMENT (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 1,560,037	\$ -	\$ -	\$ 1,560,037
Money market funds	40,360	-	-	40,360
Total fair market value	<u>\$ 1,600,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,600,397</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 3,540,288	\$ -	\$ -	\$ 3,540,288
Money market funds	503,455	-	-	503,455
Total fair market value	<u>\$ 4,043,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,043,743</u>

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 6,184,740	\$ 6,184,740
Highlands House CIP	3,750,000	-
Furniture and equipment	352,050	352,050
Land improvements	141,328	141,328
Christus St. Vincent Family Room	99,722	99,722
Ronald McDonald Family Room	59,086	59,086
Vehicles	34,084	34,084
	<hr/>	<hr/>
Total property and equipment	10,621,010	6,871,010
Accumulated depreciation	<u>(3,289,802)</u>	<u>(3,060,260)</u>
Property and equipment, net	<u>\$ 7,331,208</u>	<u>\$ 3,810,750</u>

Depreciation expense was \$229,542 and \$212,699 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - ENDOWMENTS

The Organization's endowment funds include both donor-restricted and Board designated assets. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include monies designated for endowment purposes pursuant to the Board of Director's resolution and monies that have been appropriated for expenditures but are retained in the investment portfolio to earn better returns.

Endowment Net Assets Composition by Type of Fund as of December 31, 2019:

	<u>Board Designated</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 629,531	\$ 629,531
Board designated endowment funds	260,951	-	260,951
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 260,951</u>	<u>\$ 629,531</u>	<u>\$ 890,482</u>

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 7 - ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019:

	<u>Designated</u>	<u>Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 260,951	\$ 629,331	\$ 890,282
Other changes:			
Contributions	-	200	200
Endowment net assets, end of year	<u>\$ 260,951</u>	<u>\$ 629,531</u>	<u>\$ 890,482</u>

Endowment Net Assets Composition by Type of Fund as of December 31, 2018:

	<u>Board Designated</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 629,331	\$ 629,331
Board designated endowment funds	260,951	-	260,951
Total	<u>\$ 260,951</u>	<u>\$ 629,331</u>	<u>\$ 890,282</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018:

	<u>Board Designated</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 260,951	\$ 629,131	\$ 890,082
Other changes:			
Contributions	-	200	200
Endowment net assets, end of year	<u>\$ 260,951</u>	<u>\$ 629,331</u>	<u>\$ 890,282</u>

Interpretation of Relevant Law

The Organization complies with the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has adopted its statement of investment policy in accordance with UPMIFA. The Organization classifies as net assets restricted in perpetuity (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.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 7 - ENDOWMENTS (continued)

Interpretation of Relevant Law (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence.

The Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Return Objectives and Risk Parameters

The Organization 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. Endowment assets include Board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed consumer price index (CPI) plus 4%, net of expenses, while assuming a moderate level of investment risk. The Organization recognizes the need to accept the inherent risks of various investments, including the diminution of principal during periodic market fluctuations. The Organization will assess the portfolio as a whole in measuring risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). Except for obligations issued or guaranteed by the U.S. government or U.S. federal agency, no more than 5% of the investment portfolio shall be invested in the obligations of one issuer. All equities shall be listed on a major stock exchange, and all fixed income securities are to be selected from issuers rated A or better by Moody's or Standard and Poor's if managed. All fixed income securities held directly are to be rated AAA.

Permissible investments include securities of the U.S. government and its agencies, certificates of deposit, corporate obligations, common stocks, and mutual funds. The target rate of return is 5% over inflation as measured by the Consumer Price Index.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 7 - ENDOWMENTS (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowments while seeking to maintain the purchasing power of the endowments.

In determining the prudent amount to distribute in a given year, the Organization considers the donor's intent that the fund continues in perpetuity, the purpose of the fund as stated in the fund agreement and relevant economic factors. The Organization's current spending policy provides that an amount equal to 50% of the annual investment return, computed using a three-year moving average, may be distributed up to a maximum of 5% of total assets, with the remainder reinvested for future spending. Any income not spent in a given year can be reinvested for future spending.

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 requires the Organization to retain as a fund in perpetuity. In accordance with accounting principles generally accepted in the United States of America, the deficiencies are reported as net assets without donor restrictions. There were no such deficiencies as of December 31, 2019 and 2018.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Nets assets with donor restrictions are restricted for the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land lease contribution receivable	\$ 220,174	\$ 222,799
Highlands House	1,301,700	250,000
House operations	28,520	7,800
Permanent endowment	<u>629,531</u>	<u>629,331</u>
Total net assets with donor restrictions	<u>\$ 2,179,925</u>	<u>\$ 1,109,930</u>

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Nets assets released from restrictions consist of the following for the year ended December 31:

	2019	2018
House operations	\$ 1,227,255	\$ 192,154
In-kind land use	11,500	11,500
Total net assets released from donor restrictions	\$ 1,238,755	\$ 203,654

NOTE 10 - COMMITMENTS

Leases

The Organization leases land under an operating lease expiring in August 2057. The lease requires the Organization to pay \$1 per year with the remaining payment amount donated. In-kind rental expense related to the operating lease totaled \$11,500 years ended December 31, 2019 and 2018.

The future minimum lease payments are as follows for the years ended December 31:

	Cash	In-Kind
2020	\$ 1	\$ 11,500
2021	1	11,500
2022	1	11,500
2023	1	11,500
2024	1	11,500
Thereafter	33	379,500
Total	\$ 38	\$ 437,000

In 2019, the Organization committed to a lease agreement for a second house to be built near Presbyterian Hospital. The agreement required the Organization to provide funding of \$3,750,000 to be placed in escrow for the base rent for the initial 39 ½ year lease term. The initial lease term shall be automatically extended without payment if an allocation of New Market Tax Credits are received. The extended period will be based on the square footage of the leased premises divided by the square footage of the building.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 10 - COMMITMENTS (continued)

Leases (continued)

The Organization funded the escrow account by withdrawing \$2,750,000 of its investment balance and obtaining financing of \$1,000,000 which was borrowed and repaid in 2019. The house is expected to be completed in July 2020.

Employee Benefit Plans

The Organization provides a Section 403(b) retirement plan for eligible employees. Employees are eligible after one year of service. The Organization matches employee contributions up to 4% of the participating employee's compensation. Employer contributions to the retirement plan were \$12,281 and \$11,731 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 - EXPENSE RATIOS

The following represents the ratio of program and supporting expenses to total expenses for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Program services	83%	80%
Supporting services		
Management and general	4%	3%
Fundraising	12%	16%
Unallocated payment to RMHC Global	<u>1%</u>	<u>1%</u>
Total supporting services	<u>17%</u>	<u>20%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 12 - SPECIAL EVENTS

The Organization has fundraising activities that are classified as special events. This revenue is presented net of direct benefit expenses in the statement of activities. The revenue and related expenses from fundraising activities are as follows for the year ended December 31, 2019:

	Revenue	Direct Benefit Expenses	Net Revenue
Girls Night Out	\$ 90,608	\$ 23,733	\$ 66,875
Swing Fore the House	60,457	14,683	45,774
Other	72,984	6,516	66,468
Total	<u>\$ 224,049</u>	<u>\$ 44,932</u>	<u>\$ 179,117</u>

The revenue and related expenses from fundraising activities are as follows for the year ended December 31, 2018:

	Revenue	Direct Benefit Expenses	Net Revenue
Girls Night Out	\$ 97,415	\$ 25,010	\$ 72,405
Swing Fore the House	65,315	14,908	50,407
Other	20,736	3,772	16,964
Total	<u>\$ 183,466</u>	<u>\$ 43,690</u>	<u>\$ 139,776</u>

NOTE 13 - LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions, and such support represented approximately 38% and 98% of annual program funding in 2019 and 2018, respectively, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

**RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.**

Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 13 - LIQUIDITY AND AVAILABILITY (continued)

General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

As part of the Organization's liquidity management, it ensures its financial assets are available as its general expenditures, liabilities and other obligations come due. As of December 31, 2019 and 2018, the Organization had a working capital of approximately \$1,303,226 and \$570,921 and average days cash on hand of 81 days and 67 days, respectively.

The Organization manages its cash available to meet general expenditures following two guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

Financial assets available for general expenditures within one year are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 399,296	\$ 309,418
Lodging and other fees receivable	53,739	58,321
Contributions receivable	1,550,394	480,850
Investments	<u>1,600,397</u>	<u>4,043,743</u>
Total financial assets	3,603,826	4,892,332
Less amounts not available to be used within one year:		
Board designated net assets	(1,260,951)	(1,260,951)
Net assets with donor restrictions	(2,179,925)	(1,109,930)
Plus net assets with purpose restrictions expected to be met within one year	<u>902,217</u>	<u>1,238,755</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 1,065,167</u></u>	<u><u>\$ 3,760,206</u></u>

**RONALD MCDONALD HOUSE CHARITIES
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Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 8, 2020, the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended December 31, 2019.

In December 2019, the World Health Organization declared the outbreak from the novel strain of coronavirus to constitute a “Public Health Emergency of International Concern”. The outbreak has resulted in a disruption of supply chains, production, and sales across a broad range of industries. The extent of the impact on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which the outbreak may impact the Organization’s financial condition and results of operations is uncertain.

In March 2020, the agreement between Christus St. Vincent Regional Medical Center and the Organization was unwound. All property will be transferred to the Highlands House property in 2020.

In 2020, the Organization received loan proceeds in the amount of \$150,800 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty- four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part.