RONALD MCDONALD HOUSE CHARITIES OF NEW MEXICO, INC.

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2020 and 2019

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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 statement of financial position as of December 31, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the financial statements of Ronald McDonald House Charities of New Mexico, Inc. as of December 31, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

March 10, 2021
Albuquerque, New Mexico

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statements of Financial Position
December 31, 2020 and 2019

ASSETS

	2020	2019
Current assets		
Cash and cash equivalents	$ 1,190,848	$ 399,296
Lodging and other fees receivable, net	66,782	53,739
Contributions receivable	325,492	890,717
Prepaid expenses	20,459	4,099
Total current assets	1,603,581	1,347,851
Contributions receivable, net of current portion	388,240	659,677
Investments	1,861,603	1,600,397
Other assets	5,806	8,542
Property and equipment, net	7,086,738	7,331,208
Total assets	$ 10,945,968	$ 10,947,675

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities		
Accounts payable	$ 6,019	$ 12,207
Accrued expenses	53,753	32,418
Deferred revenue	15,255	-
Total current liabilities	75,027	44,625
Paycheck Protection Program - Refundable Advance	150,800	-
Total liabilities	225,827	44,625
Net assets		
Without donor restrictions		
Undesignated	8,094,077	7,462,174
Board designated		
Reserves	1,000,000	1,000,000
Endowment	260,951	260,951
Total net assets without donor restrictions	9,355,028	8,723,125
With donor restrictions		
Restricted in perpetuity	633,781	629,531
Restricted for time or purpose	731,332	1,550,394
Total net assets with donor restrictions	1,365,113	2,179,925
Total net assets	10,720,141	10,903,050
Total liabilities and net assets	$ 10,945,968	$ 10,947,675

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, 2020
(with comparative totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Revenue and support				
Contributions and grants	$ 760,494	$ 202,748	$ 963,242	$ 3,057,095
Investment income	185,912	75,144	261,056	296,688
Special events, net	138,711	-	138,711	179,117
Lodging fees	95,883	-	95,883	239,728
In-kind contributions	105,173	8,222	113,395	229,474
Other income	1,869	-	1,869	3,911
Loss on disposal of assets	(73,129)	-	(73,129)	-
Net assets released from restrictions	1,100,926	(1,100,926)	-	-
Total revenue and support	2,315,839	(814,812)	1,501,027	4,006,013
Expenses				
Program services	1,321,700	-	1,321,700	1,462,000
Management and general	64,090	-	64,090	60,998
Fundraising	283,517	-	283,517	215,824
Unallocated payments to RMHC Global	14,629	-	14,629	14,074
Total expenses	1,683,936	-	1,683,936	1,752,896
Changes in net assets	631,903	(814,812)	(182,909)	2,253,117
Net assets, beginning of year	8,723,125	2,179,925	10,903,050	8,649,933
Net assets, end of year	$ 9,355,028	$ 1,365,113	$ 10,720,141	$ 10,903,050

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, 2020
(with comparative totals for the year ended December 31, 2019)

	Program Services	Management and General	Fundraising	Unallocated Affiliate Payments	2020 Totals	2019 Totals
Salaries and wages	$ 544,037	$ 41,849	$ 111,597	$ -	$ 697,483	$ 628,332
Depreciation	205,139	2,093	2,093	-	209,325	229,542
Direct mail services	23,076	-	69,227	-	92,303	81,453
Supplies	88,358	-	893	-	89,251	52,955
Employee benefits	63,922	7,102	17,756	-	88,780	88,120
In-kind expenses	81,222	-	-	-	81,222	228,865
Contract services	24,087	708	46,048	-	70,843	12,015
Repairs and maintenance	60,156	1,308	3,923	-	65,387	77,791
Professional fees	51,659	3,189	8,929	-	63,777	106,642
Payroll taxes	41,357	3,141	7,853	-	52,351	46,115
Utilities	39,773	406	406	-	40,585	40,544
Insurance	34,267	1,130	2,259	-	37,656	38,015
Miscellaneous	25,075	2,505	279	-	27,859	4,179
Bad debt	17,901	-	-	-	17,901	27,032
Unallocated payments to RMHC Global	-	-	-	14,629	14,629	14,074
Bank charges	499	-	9,483	-	9,982	9,655
Postage	5,611	-	-	-	5,611	4,942
Printing	4,396	334	835	-	5,565	20
Telephone	4,283	325	813	-	5,421	9,309
Travel	5,000	-	-	-	5,000	4,828
Volunteers	1,235	-	-	-	1,235	9,517
Advertising	-	-	1,123	-	1,123	1,468
Conferences and meetings	448	-	-	-	448	8,531
Public relations	199	-	-	-	199	621
Interest on capital loans	-	-	-	-	-	20,288
Special events	-	-	-	-	-	6,927
Annual report and newsletter	-	-	-	-	-	886
Recruitment	-	-	-	-	-	230
Total expenses	$ 1,321,700	$ 64,090	$ 283,517	$ 14,629	$ 1,683,936	$ 1,752,896

RONALD MCDONALD HOUSE CHARITIES
OF NEW MEXICO, INC.
Statements of Cash Flows
December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Changes in net assets	$ (182,909)	$ 2,253,117
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	209,325	229,542
Loss on disposal of property and equipment	73,129	-
Unrealized gain on investments	(197,757)	(281,009)
Realized (gain) loss on investments	(21,290)	18,960
Reinvested dividends and interest, net	(42,009)	(34,510)
Donated stock	(24,211)	(10,096)
Amortization of discounts on long-term contributions receivable	(8,222)	(9,582)
In-kind land use	11,500	11,500
Contributions restricted for endowment	(4,250)	(200)
(Increase) decrease in operating assets:		
Lodging and other fees receivable, net	(13,043)	4,582
Contributions receivable	833,384	(1,071,462)
Prepaid expenses	(16,360)	5,591
Other assets	2,736	(4,650)
Increase (decrease) in operating liabilities:		
Accounts payable	(6,188)	(22,892)
Paycheck Protection Program - Refundable Advance	150,800	-
Accrued expenses	21,335	7,361
Deferred revenue	15,255	(6,575)
Net cash provided by operating activities	801,225	1,089,677
Cash flows from investing activities		
Purchases of investments	(581,606)	(809,828)
Proceeds from sale of investments	605,667	3,062,223
Withdrawal from investments, net	-	497,606
Purchases of property and equipment	(37,984)	(3,750,000)
Net cash used by investing activities	(13,923)	(999,999)
Cash flows from financing activities		
Contributions restricted for endowments	4,250	200
Net cash provided by financing activities	4,250	200
Net increase in cash	791,552	89,878
Cash and cash equivalents, beginning of year	399,296	309,418
Cash and cash equivalents, end of year	$ 1,190,848	$ 399,296
Supplemental Disclosures of Cash Flows:		
Cash paid for interest	$ -	$ 20,288

See independent auditors' report and notes to the financial statements

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 two 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 and Presbyterian Hospital in downtown Albuquerque. 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.

Ronald McDonald Highland House – During 2020, the Organization completed construction of the Highland House near Presbyterian Hospital in downtown Albuquerque. Due to the Covid-19 pandemic, this property is not yet occupied.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019 from which the summarized information was derived.

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 2014-09 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 2014-09.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement (continued)

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No 2018-08— *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.
- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

In addition, this ASU also requires an organization to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome or whether a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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.

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, 2020 and 2019, there were uninsured balances of approximately $700,000 and $80,000, respectively. Management does not consider there to be significant risk from uninsured balances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $17,901 and $27,032 for the years ended December 31, 2020 and 2019, respectively. The allowance for doubtful accounts was $730 as of December 31, 2020 and 2019.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was $1,123 and $1,468 for the years ended December 31, 2020 and 2019, respectively.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020, and has evaluated its tax positions taken for all open tax years. The Organization is not currently under audit nor has it 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:

2021	$ 322,970
2022	86,933
2023	86,933
Total	$ 496,836

The balance of the in-kind land lease receivable was $216,896 and $220,174 as of December 31, 2020 and 2019, respectively, and is amortized at an interest rate of 4%.

NOTE 4 - INVESTMENTS

The cost, fair value, and unrealized appreciation of investments as of December 31, 2020 are as follows:

	Cost	Fair Value	Unrealized Appreciation
Mutual funds	$ 1,143,649	$ 1,360,266	$ 216,617
ETFs	232,120	347,346	115,226
Equities	36,915	41,147	4,232
Money market funds	112,844	112,844	-
Total investments	$ 1,525,528	$ 1,861,603	$ 336,075

NOTE 4 - INVESTMENTS (continued)

Investment income consists of the following for the year ended December 31, 2020:

Dividends and interest income	$	45,493
Realized gains		21,290
Unrealized gains		197,757
Total investment gains		264,540
Investment fees		(3,484)
Net investment income	$	261,056

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

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

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

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

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).

<u>NOTE 5 - FAIR VALUE MEASUREMENT (continued)</u>

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, 2020 and 2019.

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

ETFs and Equities: Valued at the closing price as reported on the active market on which the individual securities are traded.

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

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, 2020:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,360,266	$ -	$ -	$ 1,360,266
ETFs	347,346	-	-	347,346
Equities	41,147	-	-	41,147
Money market funds	112,844	-	-	112,844
Total fair market value	$ 1,861,603	$ -	$ -	$ 1,861,603

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

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

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2020	2019
Buildings and improvements	$ 6,190,172	$ 6,184,740
Highlands House CIP	3,750,000	3,750,000
Furniture and equipment	384,603	352,050
Land improvements	141,328	141,328
Christus St. Vincent Family Room	-	99,722
Ronald McDonald Family Room	59,086	59,086
Vehicles	34,084	34,084
Total property and equipment	10,559,273	10,621,010
Accumulated depreciation	(3,472,535)	(3,289,802)
Property and equipment, net	$ 7,086,738	$ 7,331,208

Depreciation expense was $209,325 and $229,542 for the years ended December 31, 2020 and 2019, 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, 2020:

	Board Designated	Restricted in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 633,781	$ 633,781
Board designated endowment funds	260,951	-	260,951
Total	$ 260,951	$ 633,781	$ 894,732

NOTE 7 - ENDOWMENTS (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2020:

	Designated	Perpetuity	Total
Endowment net assets, beginning of year	$ 260,951	$ 629,531	$ 890,482
Other changes:			
Contributions	-	4,250	4,250
Endowment net assets, end of year	$ 260,951	$ 633,781	$ 894,732

Endowment net assets composition by type of fund as of December 31, 2019:

	Board Designated	Restricted in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 629,531	$ 629,531
Board designated endowment funds	260,951	-	260,951
Total	$ 260,951	$ 629,531	$ 890,482

Changes in endowment net assets for the fiscal year ended December 31, 2019:

	Board Designated	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	$ 260,951	$ 629,331	$ 890,282
Other changes			
Contributions	-	200	200
Endowment net assets, end of year	$ 260,951	$ 629,531	$ 890,482

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.

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.

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, 2020 and 2019.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Land lease contribution receivable	$ 216,896	$ 220,174
Highlands House	456,836	1,301,700
House operations	57,600	28,520
Permanent endowment	633,781	629,531
Total net assets with donor restrictions	$ 1,365,113	$ 2,179,925

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2020	2019
House operations	$ 1,089,426	$ 1,227,255
In-kind land use	11,500	11,500
Total net assets released from donor restrictions	$ 1,100,926	$ 1,238,755

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 for the years ended December 31, 2020 and 2019, and is included in "in-kind expenses" in the statement of functional expenses.

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

	Cash	In-Kind
2021	$ 1	$ 11,500
2022	1	11,500
2023	1	11,500
2024	1	11,500
2025	1	11,500
Thereafter	32	368,000
Total	$ 37	$ 425,500

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.

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 was completed in July 2020; however, due to Coronavirus it has zero occupancy.

Employee Benefit Plans

The Organization provides a Section 403(b) retirement plan for eligible employees. Employees are eligible at date of hire. The Organization matches employee contributions up to 4% of the participating employee's compensation. Employer contributions to the retirement plan were $29,126 and $12,281 for the years ended December 31, 2020 and 2019, respectively, and are included in "employee benefits" on the statement of functional expenses.

NOTE 11 - EXPENSE RATIOS

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

	2020	**2019**
Program services	78%	83%
Supporting services		
Management and general	4%	4%
Fundraising	17%	12%
Unallocated payment to RMHC Global	1%	1%
Total supporting services	22%	17%
Total	100%	100%

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, 2020:

	Revenue	Direct Benefit Expenses	Net Revenue
Girls Night Out	$ 17,535	$ 1,405	$ 16,130
Swing Fore the House	3,000	-	3,000
Other	123,996	4,415	119,581
Total	$ 144,531	$ 5,820	$ 138,711

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	$ 224,049	$ 44,932	$ 179,117

NOTE 13 – PAYCHECK PROTECTION PROGRAM – REFUNDABLE ADVANCE LIABILITY

In 2020, the Organization received loan proceeds in the amount of $150,800 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP). The PPP proceeds may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the PPP agreement and the CARES Act. Therefore, the Organization has classified the proceeds as a conditional contribution for accounting purposes. As of December 31, 2020, the Organization has not satisfied the performance barriers. The entire amount is classified as a refundable advance in the accompanying statements of financial position. The SBA has not formally forgiven any portion of the Organization’s obligation under the PPP. If not forgiven, the PPP proceeds bear interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, have a term of two years, and are unsecured and guaranteed by the U.S. Small Business Administration.

NOTE 13 – PAYCHECK PROTECTION PROGRAM – REFUNDABLE ADVANCE LIABILITY (continued)

Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if that organization falls to apply forgiveness within 6 months after the covered period, then payment of principal and interest shall begin on that date.

Subsequent to year end, the PPP was fully forgiven by the SBA.

NOTE 14 - 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 69% and 38% of annual program funding in 2020 and 2019, 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.

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, 2020 and 2019, the Organization had a working capital of approximately $1,528,554 and $1,303,226 and average days cash on hand of 258 days and 81 days, respectively.

NOTE 14 - LIQUIDITY AND AVAILABILITY (continued)

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:

	2020	2019
Financial assets as of year end:		
Cash and cash equivalents	$ 1,190,848	$ 399,296
Lodging and other fees receivable, net	66,782	53,739
Contributions receivable	713,732	1,550,394
Investments	1,861,603	1,600,397
Total financial assets	3,832,965	3,603,826
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	(1,365,113)	(2,179,925)
Plus net assets with purpose restrictions expected to be met within one year	394,592	902,217
Total financial assets available for general expenditures within one year	$ 1,601,493	$ 1,065,167

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 10, 2021, 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, 2020.

NOTE 15 - SUBSEQUENT EVENTS (continued)

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 January 2021, the Small Business Administration formally forgave the $150,800 of Payroll Protection Program (PPP) funds.

In March 2021, the Organization applied for a second funding of Payroll Protection Program funds and was awarded $150,800.