

**Ronald McDonald House Charities  
of Kansas City, Inc.**

Independent Auditor's Report and Financial Statements  
December 31, 2020 and 2019



**Ronald McDonald House Charities  
of Kansas City, Inc.**

**December 31, 2020 and 2019**

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## Independent Auditor's Report

Board of Directors  
Ronald McDonald House Charities  
of Kansas City, Inc.  
Kansas City, Missouri

We have audited the accompanying financial statements of Ronald McDonald House Charities of Kansas City, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Ronald McDonald House Charities  
of Kansas City, Inc.  
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*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 Kansas City, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

Kansas City, Missouri  
July 29, 2021

# Ronald McDonald House Charities of Kansas City, Inc.

## Statements of Financial Position December 31, 2020 and 2019

### Assets

	2020	2019
<b>Current Assets</b>		
Cash and cash equivalents	\$ 941,889	\$ 456,583
Restricted cash	162,202	625,991
Accounts receivables, net of allowance	47,348	625,443
Contributions receivable, net	1,279,714	641,902
Other	22,431	40,734
Total current assets	2,453,584	2,390,653
<b>Non-Current Assets</b>		
Contributions receivable, net	123,503	192,977
Beneficial interest in assets held by other	137,313	141,862
Investments	6,613,736	5,117,106
Property and equipment, net	16,012,457	16,023,793
Other	32,683	32,683
Total non-current assets	22,919,692	21,508,421
Total assets	\$ 25,373,276	\$ 23,899,074

### Liabilities and Net Assets

<b>Current Liabilities</b>		
Accounts payable	\$ 142,079	\$ 159,863
Accrued liabilities	477,807	183,879
Deferred revenue	30,614	15,000
Notes payable, current maturities	337,556	-
Total current liabilities	988,056	358,742
<b>Other Liabilities</b>		
Notes payable, non-current maturities	96,444	-
<b>Net Assets</b>		
Without donor restrictions	21,136,989	20,632,895
With donor restrictions	3,151,787	2,907,437
Total net assets	24,288,776	23,540,332
Total liabilities and net assets	\$ 25,373,276	\$ 23,899,074

# Ronald McDonald House Charities of Kansas City, Inc.

## Statement of Activities Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions – general	\$ 1,866,623	\$ 422,247	\$ 2,288,870
Contributions – McDonald’s related fundraisers	565,000	13,111	578,111
Total contributions	<u>2,431,623</u>	<u>435,358</u>	<u>2,866,981</u>
Organization-sponsored fundraising events	585,990	349,950	935,940
External fundraising events	330,047	1,040,249	1,370,296
Medicaid revenue	311,491	-	311,491
Other	73,662	-	73,662
Net assets released from restrictions	1,843,028	(1,843,028)	-
Total revenues, gains and other support	<u>5,575,841</u>	<u>(17,471)</u>	<u>5,558,370</u>
<b>Expenses and Losses</b>			
Program services	4,146,579	-	4,146,579
Cost of direct benefits to donors	102,455	-	102,455
Support services			
Management and general	706,749	-	706,749
Fundraising	865,765	-	865,765
Total expenses and losses	<u>5,821,548</u>	<u>-</u>	<u>5,821,548</u>
<b>Change in Net Assets from Operations</b>	(245,707)	(17,471)	(263,178)
<b>Net Investment Income</b>	<u>749,801</u>	<u>261,821</u>	<u>1,011,622</u>
<b>Change in Net Assets</b>	504,094	244,350	748,444
<b>Net Assets, Beginning of Year</b>	<u>20,632,895</u>	<u>2,907,437</u>	<u>23,540,332</u>
<b>Net Assets, End of Year</b>	<u>\$ 21,136,989</u>	<u>\$ 3,151,787</u>	<u>\$ 24,288,776</u>

# Ronald McDonald House Charities of Kansas City, Inc.

## Statement of Activities Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions – general	\$ 1,510,162	\$ 280,912	\$ 1,791,074
Contributions – Project GROW	535	100,000	100,535
Contributions – McDonald’s related fundraisers	402,470	42,825	445,295
Total contributions	<u>1,913,167</u>	<u>423,737</u>	<u>2,336,904</u>
Organization-sponsored fundraising events	780,785	369,780	1,150,565
External fundraising events	395,081	529,840	924,921
Medicaid revenue	637,958	-	637,958
Other	601,939	-	601,939
Net assets released from restrictions	<u>2,370,462</u>	<u>(2,370,462)</u>	<u>-</u>
Total revenues, gains and other support	<u>6,699,392</u>	<u>(1,047,105)</u>	<u>5,652,287</u>
<b>Expenses and Losses</b>			
Program services	3,870,901	-	3,870,901
Cost of direct benefits to donors	228,582	-	228,582
Support services			
Management and general	499,268	-	499,268
Fundraising	855,892	3,411	859,303
Total expenses and losses	<u>5,454,643</u>	<u>3,411</u>	<u>5,458,054</u>
<b>Change in Net Assets from Operations</b>	1,244,749	(1,050,516)	194,233
<b>Net Investment Income</b>	<u>514,775</u>	<u>227,436</u>	<u>742,211</u>
<b>Change in Net Assets</b>	1,759,524	(823,080)	936,444
<b>Net Assets, Beginning of Year</b>	<u>18,873,371</u>	<u>3,730,517</u>	<u>22,603,888</u>
<b>Net Assets, End of Year</b>	<u>\$ 20,632,895</u>	<u>\$ 2,907,437</u>	<u>\$ 23,540,332</u>

# Ronald McDonald House Charities of Kansas City, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services			Total Program Services	Management and General		Fundraising	Cost of Direct Benefits to Donor	Total Expenses
	Ronald McDonald Houses	Family Room	Project GROW						
Salaries	\$ 1,562,606	\$ 73,647	\$ -	\$ 1,636,253	\$ 256,927	\$ 344,337	\$ -	\$ 2,237,517	
Employee benefits	247,986	11,617	-	259,603	44,650	49,626	-	353,879	
Payroll taxes	106,128	5,051	-	111,179	18,756	23,806	-	153,741	
Total	<u>1,916,720</u>	<u>90,315</u>	<u>-</u>	<u>2,007,035</u>	<u>320,333</u>	<u>417,769</u>	<u>-</u>	<u>2,745,137</u>	
Advertising	-	-	-	-	-	76,672	-	76,672	
Automobile	119	-	-	119	30	282	-	431	
Cleaning services and supplies	110,538	-	-	110,538	-	-	-	110,538	
Depreciation	700,947	18,689	28,086	747,722	7,413	6,628	-	761,763	
Direct mail	-	-	-	-	-	196,827	-	196,827	
Donor recognition	-	-	-	-	2,279	4,560	-	6,839	
Family support services and supplies	559,752	957	-	560,709	-	975	-	561,684	
Insurance	113,096	11,095	-	124,191	14,618	10,485	-	149,294	
Linens and laundry	20,909	-	-	20,909	-	-	-	20,909	
Maintenance and repairs	263,482	1,103	5,707	270,292	2,149	117	-	272,558	
Meetings, education and training	7,036	460	-	7,496	8,738	5,683	-	21,917	
Office supplies	10,535	177	-	10,712	3,903	2,355	-	16,970	
Postage and courier	40	-	-	40	3,197	4,069	-	7,306	
Printing and publishing	346	46	-	392	98	31,654	-	32,144	
Professional fees	5,220	-	-	5,220	256,931	-	-	262,151	
Rent	-	-	-	-	-	-	47,556	47,556	
Technology	56,428	6,751	-	63,179	20,111	34,532	-	117,822	
Telephone	49,316	-	-	49,316	-	-	-	49,316	
Travel, meals and entertainment	294	-	-	294	221	2,348	27,750	30,613	
Utilities	159,753	-	-	159,753	20	-	-	159,773	
Volunteer resources and recognition	595	205	-	800	-	261	-	1,061	
Other	3,065	797	4,000	7,862	66,708	70,548	27,149	172,267	
Total Expenses	<u>\$ 3,978,191</u>	<u>\$ 130,595</u>	<u>\$ 37,793</u>	<u>\$ 4,146,579</u>	<u>\$ 706,749</u>	<u>\$ 865,765</u>	<u>\$ 102,455</u>	<u>\$ 5,821,548</u>	



# Ronald McDonald House Charities of Kansas City, Inc.

## Statement of Functional Expenses Year Ended December 31, 2019

	Program Services			Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donor	Total Expenses
	Ronald McDonald Houses	Family Room	Project GROW					
Salaries	\$ 1,168,221	\$ 207,312	\$ -	\$ 1,375,533	\$ 253,047	\$ 304,371	\$ -	\$ 1,932,951
Employee benefits	182,829	22,061	-	204,890	36,225	43,142	-	284,257
Payroll taxes	90,405	16,179	-	106,584	18,806	22,790	-	148,180
Total	<u>1,441,455</u>	<u>245,552</u>	<u>-</u>	<u>1,687,007</u>	<u>308,078</u>	<u>370,303</u>	<u>-</u>	<u>2,365,388</u>
Advertising	-	-	-	-	-	62,365	-	62,365
Automobile	930	-	-	930	-	-	-	930
Cleaning services and supplies	110,048	-	-	110,048	-	-	-	110,048
Depreciation	755,904	16,454	-	772,358	6,041	6,249	-	784,648
Direct mail	-	-	-	-	-	199,826	-	199,826
Donor recognition	115	31	-	146	-	1,508	-	1,654
Family support services and supplies	266,941	2,260	-	269,201	2,219	175	-	271,595
Insurance	92,191	8,911	-	101,102	13,306	8,421	-	122,829
Linens and laundry	45,156	-	-	45,156	-	-	-	45,156
Maintenance and repairs	395,835	8,594	-	404,429	-	-	-	404,429
Meetings, education and training	20,482	6,346	-	26,828	16,290	9,217	-	52,335
Office supplies	12,246	298	-	12,544	4,025	2,474	-	19,043
Postage and courier	269	-	-	269	2,042	6,971	-	9,282
Printing and publishing	1,074	289	-	1,363	714	26,712	-	28,789
Professional fees	98,094	-	8,080	106,174	74,195	-	-	180,369
Rent	-	-	-	-	-	-	90,501	90,501
Technology	33,700	4,577	-	38,277	18,848	30,023	-	87,148
Telephone	47,470	-	-	47,470	-	-	-	47,470
Travel, meals and entertainment	1,267	19	-	1,286	10	1,847	111,758	114,901
Utilities	199,837	-	-	199,837	-	-	-	199,837
Volunteer resources and recognition	3,706	516	-	4,222	-	885	-	5,107
Other	41,876	378	-	42,254	53,500	132,327	26,323	254,404
Total Expenses	<u>\$ 3,568,596</u>	<u>\$ 294,225</u>	<u>\$ 8,080</u>	<u>\$ 3,870,901</u>	<u>\$ 499,268</u>	<u>\$ 859,303</u>	<u>\$ 228,582</u>	<u>\$ 5,458,054</u>

**Ronald McDonald House Charities  
of Kansas City, Inc.  
Statements of Cash Flows  
Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ 748,444	\$ 936,444
Items not requiring (providing) operating activities cash flows		
Depreciation	761,763	784,649
Loss on disposal of property and equipment	191,838	36,056
Net realized and unrealized gains on investments	(761,699)	(501,864)
Contributions of property and equipment or contributions received restricted for acquisition of property and equipment	(27,934)	(150,865)
Changes in		
Contributions receivable	(568,338)	(77,979)
Beneficial interest in assets held by other	4,549	95,996
Miscellaneous receivables and other assets	596,398	(517,268)
Accounts payable and accrued liabilities	100,658	(2,794)
Deferred revenue	15,614	4,250
	<u>1,061,293</u>	<u>606,625</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(738,845)	(799,860)
Purchase of investments	(734,931)	(531,186)
	<u>(1,473,776)</u>	<u>(1,331,046)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions restricted for acquisition of property and equipment	-	175,865
Net payments on lines of credit	-	(300,000)
Proceeds from issuance of long-term debt	434,000	-
	<u>434,000</u>	<u>(124,135)</u>
Net cash provided by (used in) financing activities		
<b>Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	21,517	(848,556)
<b>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>	<u>1,082,574</u>	<u>1,931,130</u>
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<u>\$ 1,104,091</u>	<u>\$ 1,082,574</u>
<b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	\$ 941,889	\$ 456,583
Restricted cash	<u>162,202</u>	<u>625,991</u>
<b>Cash, Cash Equivalents and Restricted Cash</b>	<u>\$ 1,104,091</u>	<u>\$ 1,082,574</u>
<b>Supplemental Cash Flows Information</b>		
Property and equipment acquired through noncash contributions	\$ 27,934	\$ 21,334
Property and equipment purchases in accounts payable and accrued liabilities	206,336	30,850

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Organization***

Ronald McDonald House Charities of Kansas City, Inc. (the “Organization”) is a Missouri not-for-profit organization formed in 1979 that operates three Kansas City Ronald McDonald Houses and a Family Room, which provides temporary housing for the families of seriously ill children while the children are receiving treatment at local hospitals. The mission of Ronald McDonald House Charities – Kansas City is to reduce the burden of childhood illness on children and their families.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities.

#### Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House programs located in Kansas City, Missouri which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers’ ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

#### Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program in Children’s Mercy serves as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child’s health care team.

The Organization’s revenues and other support are derived principally from contributions and Organization-sponsored fundraising events.

#### ***Basis of Presentation***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net

# **Ronald McDonald House Charities of Kansas City, Inc.**

## **Notes to Financial Statements December 31, 2020 and 2019**

assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

### ***Measure of Operations***

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

### ***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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

### ***Cash, Cash Equivalents and Restricted Cash***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

Amounts included in restricted cash are donor contributions received and restricted for a particular purpose.

At December 31, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$254,000.

### ***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### ***Beneficial Interest in Assets held by Other***

The Organization is a beneficiary of a \$250,000 contribution made to and held by an unrelated not-for-profit organization. The funds are restricted to support Ronald McDonald Family Room and may be utilized at any time. The unspent contribution was \$137,313 and \$141,862 at December 31, 2020 and 2019, respectively.

### ***Investments and Net Investment Return***

The Organization measures securities at fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	10 - 15 years
Building under capital lease	50 years
Vans and autos	5 years
Furniture, fixtures and equipment	5 years
Donation box equipment	5 years

The Organization capitalizes interest costs as a component of construction in progress during the term of construction. Total interest incurred and capitalized for the years ended December 31, 2020 and 2019 was \$0 and \$15,677, respectively.

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### **Long-lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are 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, which was \$948,338 and \$928,873 and net assets for projects, which was \$132,708 and \$29,976 as of December 31, 2020 and 2019, respectively. Net assets with donor restrictions are 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.

### **Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

<b>Nature of the Gift</b>	<b>Value Recognized</b>
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

Approximately 19 and 11 percent of all revenue from contributions, special events and external fundraising events were received from one donor as a one-time gift in 2020 and 2019, respectively.

### ***In-kind Contributions***

In addition to receiving cash contributions, the Organization receives in-kind contributions in the form of goods and services from various donors. Such contributions are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets, or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as revenue in the financial statements, and similarly increase an expense or capitalized asset by a like amount. In-kind contributions recognized during 2020 and 2019 were approximately \$250,000 and \$484,000, respectively, which includes contributed services of approximately \$122,000 and \$97,000, respectively.

# **Ronald McDonald House Charities of Kansas City, Inc.**

## **Notes to Financial Statements December 31, 2020 and 2019**

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. Contributed goods and services not subject to objective measurement or valuation are not reflected in the financial statements.

### ***Deferred Revenue***

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

### ***Fundraising Events Revenue***

The portion of the fundraising events revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met. The transaction price is determined based on the cost of benefits provided to donors, which was \$102,455 and \$228,582 for the years ended December 31, 2020 and 2019, respectively. All revenue is recognized as of the point in time the event is held and benefits are provided to the donor, which is when the performance obligations are met. The portion of fundraising events revenue considered to be a contribution is recognized in accordance with the Organization's contribution revenue policies.

### ***Medicaid Revenue***

Medicaid revenue represents fees for services and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from third-party insurers. Revenue is recognized as the performance obligation is satisfied, which is over time as services are provided as the customer simultaneously receives and consumes the benefit. The Organization determines the transaction price based on standard charges for services provided. These contracts are generally short-term in nature and revenue is recognized based on the number of nights stayed. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the outputs needed to satisfy the obligation. Insurers are generally invoiced the month following the service. Medicaid revenue for the years ended December 31, 2020 and 2019 was \$311,491 and \$637,958, respectively.

### ***Advertising***

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$76,672 and \$62,365 for the years ended December 31, 2020 and 2019, respectively.



# **Ronald McDonald House Charities of Kansas City, Inc.**

## **Notes to Financial Statements December 31, 2020 and 2019**

### ***Income Taxes***

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

### ***Paycheck Protection Program (PPP) Loan - ASC Topic 470***

The entity received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

### ***Subsequent Events***

Subsequent events have been evaluated through July 29, 2021, which is the date the financial statements were available to be issued. The Organization's loan in the amount of \$434,000 was forgiven subsequent to year end.

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 2: Contributions Receivable

Contributions receivable at December 31 consisted of the following unconditional promises to give discounted at a rate of 5 percent:

	2020	2019
Due within one year	\$ 1,282,464	\$ 644,652
Due in one to five years	150,000	240,000
	1,432,464	884,652
Less		
Allowance for uncollectible contributions	(2,750)	(2,750)
Unamortized discount	(26,497)	(47,023)
	\$ 1,403,217	\$ 834,879

Approximately 86 percent and 96 percent of contributions receivable was due from two donors as of December 31, 2020 and 2019, respectively.

### Note 3: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Fair Value Measurements Using				
	Total	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2020</b>					
Money market funds	\$ 968,239	\$ 968,239	\$ 968,239	\$ -	\$ -
Bond mutual funds	1,196,660	1,196,660	1,196,660	-	-
Equity mutual funds	4,423,837	4,423,837	4,423,837	-	-
Total at fair value	<u>6,588,736</u>	<u>6,588,736</u>	<u>6,588,736</u>	<u>-</u>	<u>-</u>
Certificate of deposit	25,000	-	-	-	-
Total investments	<u>\$ 6,613,736</u>	<u>\$ 6,588,736</u>	<u>\$ 6,588,736</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2019</b>					
Money market funds	\$ 937,816	\$ 937,816	\$ 937,816	\$ -	\$ -
Bond mutual funds	1,054,540	1,054,540	1,054,540	-	-
Equity mutual funds	3,099,750	3,099,750	3,099,750	-	-
Total at fair value	<u>5,092,106</u>	<u>5,092,106</u>	<u>5,092,106</u>	<u>-</u>	<u>-</u>
Certificate of deposit	25,000	-	-	-	-
Total investments	<u>\$ 5,117,106</u>	<u>\$ 5,092,106</u>	<u>\$ 5,092,106</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

### **Note 4: Property and Equipment**

Property and equipment at December 31 consisted of the following:

	<b>2020</b>	<b>2019</b>
Land and parking lot	\$ 2,014,545	\$ 597,114
Buildings and improvements	8,825,672	8,645,486
Buildings and improvements under capital lease	12,481,121	12,433,774
Vans and autos	20,919	20,919
Furniture and equipment	1,903,585	1,880,284
Donation box equipment	26,421	26,421
Family Room	430,647	422,662
Construction in progress	9,604	954,175
	25,712,514	24,980,835
Less accumulated depreciation	(9,700,057)	(8,957,042)
	\$ 16,012,457	\$ 16,023,793

### **Note 5: Line of Credit**

During 2020 and 2019, the Organization has a \$750,000 revolving bank line of credit due on demand with a maturity date of August 1, 2021. At December 31, 2020 and 2019, there were no borrowings against this line. Interest on the revolving line of credit is payable monthly at the bank prime rate (3.25 percent and 4.75 percent at December 31, 2020 and 2019, respectively).

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### Note 6: Net Assets With Donor Restrictions

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at December 31 are restricted for the following purpose or periods:

	<b>2020</b>	<b>2019</b>
Subject to expenditure for specified purpose		
Project GROW	\$ -	\$ 526,201
Other projects	121,456	45,872
Beneficial interests in assets held by another for		
Family Room	137,313	138,854
Longfellow bathroom upgrades	40,000	40,000
Guest room improvements	23,197	26,200
	321,966	777,127
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	1,272,569	834,879
Endowments		
Endowment, subject to spending policy and appropriation General use	1,557,252	1,295,431
Total endowments	1,557,252	1,295,431
Total net assets with donor restrictions	\$ 3,151,787	\$ 2,907,437

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### **Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2020</b>	<b>2019</b>
Expiration of time restrictions	\$ 1,159,267	\$ 1,027,440
Satisfaction or purpose restrictions		
Project GROW	526,201	858,584
Capital projects	-	48,249
Endowment spending	-	300,000
Other projects	157,560	136,189
	<b>\$ 1,843,028</b>	<b>\$ 2,370,462</b>

### **Note 7: Endowment**

The Organization's endowment consists of one donor-restricted fund established in the amount of \$1,000,000, to be held in perpetuity in order to provide supplemental income for the operating expenses at the Ronald McDonald House. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body is subject to the State of Missouri *Uniform Prudent Management of Institutional Funds Act* as adopted by the state of Missouri (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The governing body of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of endowment net assets at December 31, 2020 and 2019 was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>December 31, 2020</b>			
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 1,000,000	\$ 1,000,000
Accumulated investment	525,088	557,252	1,082,340
Total endowment funds	\$ 525,088	\$ 1,557,252	\$ 2,082,340
<b>December 31, 2019</b>			
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 1,000,000	\$ 1,000,000
Accumulated investment	441,878	295,431	737,309
Total endowment funds	\$ 441,878	\$ 1,295,431	\$ 1,737,309

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements

**December 31, 2020 and 2019**

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2018	\$ 358,926	\$ 1,367,996	\$ 1,726,922
Net investment return	82,952	227,435	310,387
Appropriation of endowment assets for expenditures	-	(300,000)	(300,000)
Endowment net assets, December 31, 2019	441,878	1,295,431	1,737,309
Net investment return	83,210	261,821	345,031
Endowment net assets, December 31, 2020	\$ 525,088	\$ 1,557,252	\$ 2,082,340

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions, which the Organization did not have at December 31, 2020 and 2019.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include assets of donor-restricted endowment funds the Organization must hold in perpetuity.

Under the Organization's policies, the primary investment goal is long-term asset growth with the generation of investment income a secondary goal. The Organization's investment policy details other guidelines for investment assets. The Organization expects its endowment funds to provide returns over a rolling three-year period, which will be reasonably consistent with those from a comparably positioned "unmanaged" fund consisting of equity, fixed income and cash indices, as applicable. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

The Organization follows the donor’s stipulation in regard to this endowment, which requires the original gift to be held in perpetuity and the income earned to be used for operating expenses. The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 7 percent of the endowment fund’s average fair value over the prior three years as long as the funds exceed a value of 1.5 times the original gift. This policy does not restrict the board from approving expenditure from the endowment when the fund is valued at less than 1.5 times the original gift, but gives guidance as to the treatment when the endowment has experienced tremendous growth. No distribution will be appropriated should the fair market value fall below the original gift value.

### Note 8: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 941,889	\$ 456,583
Accounts receivables	47,348	625,443
Contributions receivable	1,279,714	641,902
Appropriations from investments	172,599	126,625
	\$ 2,441,550	\$ 1,850,553

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$1,450,000 and \$1,300,000 for 2020 and 2019, respectively.

In addition, the Organization maintains an investment portfolio that allows for annual spending of up to 5 percent of the 3-year average balance as of December 31 of the three preceding years of the Spendable Investments (Operating Reserve, Long-Term Portfolio and any spendable portion of the Endowment Portfolio). Up to \$172,599 and \$126,625 of appropriations from the investment portfolio will be available within the next 12 months as of December 31, 2020 and 2019, respectively.

As more fully described in *Note 5*, the Organization also has a committed line of credit in the amount of \$750,000, which it could draw upon in the event of an unanticipated liquidity need.

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### Note 9: Long-term Leases

The Bernstein facility has been constructed on land subject to a lease through the year 2085 for an annual payment of \$10.

The Longfellow facility was constructed on land that was donated by a local company and by the City of Kansas City, Missouri. Upon completion of the project, the Organization transferred the property to Kansas City, Missouri in accordance with the restrictions set forth by Kansas City, Missouri. The Organization then contracted to lease the property from the City at \$1 per year for a term of 20 years with three 10-year renewal options. The lease qualifies for capital lease accounting treatment. Leasehold improvements are being amortized over the shorter of the lease term or their estimated useful lives.

Property and equipment includes the following property under the capital lease at December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Land	\$ 1,613,691	\$ 1,613,691
Building and improvements	10,867,430	10,820,083
	12,481,121	12,433,774
Less accumulated depreciation	3,804,301	3,489,661
	<b>\$ 8,676,820</b>	<b>\$ 8,944,113</b>

### Note 10: Retirement Plan

The Organization has a defined contribution pension plan covering substantially all employees. Regularly scheduled employees are eligible to participate in the plan after reaching age 21 and completing six months of eligible service. For both 2020 and 2019, the Organization contributed the 5 percent required of eligible compensation and also matched 50 percent of the employees' contributions up to 4 percent of eligible compensation. The Organization's retirement expense amounted to \$134,500 and \$113,061 for the years ended 2020 and 2019, respectively.

# Ronald McDonald House Charities of Kansas City, Inc.

## Notes to Financial Statements December 31, 2020 and 2019

### Note 11: Related Party

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald’s Corporation and Ronald McDonald House Charities, Inc. to use RMHC-related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75 percent of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the License Agreement. During the years ended December 31, 2020 and 2019, the Organization received \$424,427 and \$299,079, respectively, from these revenue streams.

### Note 12: Future Changes in Accounting Principle

#### *Accounting for Leases*

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.