

**RONALD MCDONALD HOUSE CHARITIES OF  
CHARLESTON, SC, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
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**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## **Independent Auditor's Report**

To the Board of Directors  
Ronald McDonald House Charities of Charleston, SC, Inc.  
Charleston, South Carolina

We have audited the accompanying financial statements of Ronald McDonald House Charities of Charleston, SC, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Charleston, SC, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Elliott Davis, LLC*

Charleston, South Carolina  
May 11, 2021

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

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,207,482	\$ 1,059,378
Accounts Receivable, Net	72,446	57,663
Contributions Receivable, Net	348,071	310,029
Prepaid Expenses	37,970	36,907
Total Current Assets	2,665,969	1,463,977
<b>NONCURRENT ASSETS</b>		
Contributions Receivable, Net	748,371	725,420
Investments	1,954,798	1,734,089
Property and Equipment, Net	2,102,999	2,192,184
Beneficial Use of Land	2,294,607	2,307,879
Total Noncurrent Assets	7,100,775	6,959,572
Total Assets	\$ 9,766,744	\$ 8,423,549
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 99,661	\$ 144,231
Unearned Revenue	13,111	-
Paycheck Protection Program - Refundable Advance	118,123	-
Total Current Liabilities	230,895	144,231
<b>NONCURRENT LIABILITIES</b>		
Paycheck Protection Program - Refundable Advance	39,572	-
Total Liabilities	270,467	144,231
<b>NET ASSETS</b>		
Without Donor Restrictions	3,422,955	3,332,164
With Donor Restrictions	6,073,322	4,947,154
Total Net Assets	9,496,277	8,279,318
Total Liabilities and Net Assets	\$ 9,766,744	\$ 8,423,549

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions and Grants	\$ 1,035,470	\$ 1,042,742	\$ 2,078,212	\$ 836,850	\$ 1,429,276	\$ 2,266,126
In-Kind Contributions	354,776	-	354,776	386,072	-	386,072
Special Events Revenue, Net	244,450	-	244,450	319,761	-	319,761
Room Donations/Fees	5,350	-	5,350	14,930	-	14,930
Third-Party Reimbursements	118,055	-	118,055	165,235	-	165,235
Other Income	56,399	-	56,399	38,622	-	38,622
Net Assets Released from Restrictions	132,837	(132,837)	-	25,465	(25,465)	-
Total Revenues and Other Support	<u>1,947,337</u>	<u>909,905</u>	<u>2,857,242</u>	<u>1,786,935</u>	<u>1,403,811</u>	<u>3,190,746</u>
<b>EXPENSES</b>						
Program Services	1,436,188	-	1,436,188	1,486,521	-	1,486,521
Management and General Administration	146,885	-	146,885	154,757	-	154,757
Fundraising	282,305	-	282,305	508,086	-	508,086
Total Expenses	<u>1,865,378</u>	<u>-</u>	<u>1,865,378</u>	<u>2,149,364</u>	<u>-</u>	<u>2,149,364</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	81,959	909,905	991,864	(362,429)	1,403,811	1,041,382
<b>INVESTMENT INCOME, NET</b>	<u>8,832</u>	<u>216,263</u>	<u>225,095</u>	<u>15,888</u>	<u>181,400</u>	<u>197,288</u>
<b>CHANGE IN NET ASSETS</b>	90,791	1,126,168	1,216,959	(346,541)	1,585,211	1,238,670
Net Assets - Beginning of Year	<u>3,332,164</u>	<u>4,947,154</u>	<u>8,279,318</u>	<u>3,678,705</u>	<u>3,361,943</u>	<u>7,040,648</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,422,955</u>	<u>\$ 6,073,322</u>	<u>\$ 9,496,277</u>	<u>\$ 3,332,164</u>	<u>\$ 4,947,154</u>	<u>\$ 8,279,318</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services				Management and Fundraising		
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services	Total	General	Fundraising	Total
Salaries	\$ 543,806	\$ -	\$ 2,683	\$ 546,489	\$ 73,516	\$ 132,628	\$ 752,633
Employee Benefits	46,308	-	-	46,308	7,573	4,737	58,618
Payroll Taxes	41,165	-	563	41,728	5,482	9,889	57,099
Total Salaries and Related Expenses	631,279	-	3,246	634,525	86,571	147,254	868,350
Advertising	599	-	-	599	-	-	599
Cleaning Services and Supplies	87,932	-	-	87,932	-	-	87,932
Depreciation and Amortization	197,597	-	-	197,597	-	-	197,597
Direct Mail	11,224	-	-	11,224	-	49,587	60,811
Donor Recognition	-	-	-	-	-	60	60
Family Support Services and Supplies	244,274	2,000	-	246,274	121	167	246,562
Insurance	40,979	-	-	40,979	-	-	40,979
Linens and Laundry	4,281	-	-	4,281	-	-	4,281
Maintenance and Repairs	26,160	-	-	26,160	-	-	26,160
Meetings, Education and Training	3,184	-	-	3,184	529	22	3,735
Office Supplies	134	-	-	134	1,121	22	1,277
Postage and Courier	-	-	-	-	6,024	1,000	7,024
Printing and Publishing	-	-	-	-	-	4,978	4,978
Professional Fees	3,829	-	-	3,829	23,221	-	27,050
Rent	21,899	-	-	21,899	-	-	21,899
Technology	41,755	-	-	41,755	13,458	5,030	60,243
Telephone	7,800	-	-	7,800	395	-	8,195
Travel, Meals, and Entertainment	7,686	-	-	7,686	1,714	4,462	13,862
Utilities	33,315	-	-	33,315	1,367	2,346	37,028
Volunteer Resources and Recognition	2,786	-	-	2,786	-	-	2,786
Other	64,229	-	-	64,229	12,364	67,377	143,970
<b>Total Expenses</b>	<b>\$ 1,430,942</b>	<b>\$ 2,000</b>	<b>\$ 3,246</b>	<b>\$ 1,436,188</b>	<b>\$ 146,885</b>	<b>\$ 282,305</b>	<b>\$ 1,865,378</b>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services						
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services	Total			
Salaries	\$ 554,796	\$ 11,493	\$ 11,210	\$ 577,499	\$ 60,856	\$ 193,489	\$ 831,844
Employee Benefits	37,269	-	-	37,269	9,899	8,311	55,479
Payroll Taxes	36,931	2,414	2,354	41,699	4,443	13,965	60,107
Total Salaries and Related Expenses	<u>628,996</u>	<u>13,907</u>	<u>13,564</u>	<u>656,467</u>	<u>75,198</u>	<u>215,765</u>	<u>947,430</u>
Advertising	-	-	-	-	-	5,000	5,000
Cleaning Services and Supplies	6,267	-	-	6,267	-	-	6,267
Depreciation and Amortization	227,817	-	-	227,817	-	-	227,817
Direct Mail	1,475	-	-	1,475	-	55,019	56,494
Donor Recognition	89	-	-	89	-	695	784
Family Support Services and Supplies	19,285	12,000	2,000	33,285	210	265	33,760
Insurance	37,464	-	-	37,464	-	-	37,464
Linens and Laundry	1,969	-	-	1,969	-	-	1,969
Maintenance and Repairs	14,064	-	-	14,064	-	880	14,944
Meetings, Education and Training	2,604	-	-	2,604	2,541	-	5,145
Office Supplies	1,366	-	-	1,366	4,266	530	6,162
Postage and Courier	830	-	-	830	4,136	1,276	6,242
Printing and Publishing	608	-	-	608	979	10,854	12,441
Professional Fees	24	-	-	24	23,333	-	23,357
Rent	12,790	-	-	12,790	-	-	12,790
Technology	35,365	-	-	35,365	13,091	5,431	53,887
Telephone	1,674	-	-	1,674	551	-	2,225
Travel, Meals, and Entertainment	12,203	-	-	12,203	1,673	1,875	15,751
Utilities	42,392	-	-	42,392	7,422	-	49,814
Volunteer Resources and Recognition	320	-	-	320	6	-	326
Other	397,435	13	-	397,448	21,351	210,496	629,295
Total Expenses	<u>\$ 1,445,037</u>	<u>\$ 25,920</u>	<u>\$ 15,564</u>	<u>\$ 1,486,521</u>	<u>\$ 154,757</u>	<u>\$ 508,086</u>	<u>\$ 2,149,364</u>

See accompanying Notes to Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,216,959	\$ 1,238,670
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	197,597	227,817
Net Realized and Unrealized (Gains) on Investments	(166,322)	(134,691)
Loss on Sale of Property and Equipment	5,526	-
Bad Debts	11,579	35,757
Allowance for Contributions Receivable	1,264	-
Change in Discount to Net Present Value	(85,761)	(57,251)
Stock Contributions Received	(4,939)	(154,930)
Amortization of Beneficial Use of Land	99,990	99,990
Increase in Assets:		
Accounts Receivable	(26,362)	(21,694)
Contributions Receivable	(63,215)	(1,047,862)
Prepaid Expenses	(1,063)	(6,389)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(44,570)	74,058
Unearned revenue	13,111	-
Paycheck Protection Program - Refundable Advance	118,123	-
Net Cash Provided by Operating Activities	1,271,917	253,475
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(56,962)	(51,200)
Proceeds from Sale of Investments	7,515	144,012
Purchases of Property and Equipment	(113,938)	(27,532)
Net Cash (Used By) Provided by Investing Activities	(163,385)	65,280
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,108,532	318,755
Cash and Cash Equivalents - Beginning of Year	1,059,378	740,623
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,167,910	\$ 1,059,378
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -
Stock Contributions Received	\$ 4,939	\$ 154,930

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Charleston, SC, Inc. ("RMHCC", or the "Organization") is a South Carolina nonprofit charitable corporation formed in 1981 (formerly Pediatric Family Center of Charleston, Inc.). The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHCC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency. The mission of RMHCC is to create compassionate environments and programs that provide families the best chance of success in caring for their child with complex medical needs.

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 program located in Charleston, SC, which provides 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**

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. Given the building of the Medical University of South Carolina ("MUSC") Shawn Jenkins Children's Hospital, the agreement which expired in November 2017 for the Family Room was not renewed, but RMHCC continued to operate under the condition of the contract until the transition to the new medical facility on February 22, 2020.

**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"). Net assets are presented as 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 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.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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. No allowance was recorded as of December 31, 2020. The Organization has recorded an allowance for uncollectible receivables of \$12,250 as of December 31, 2019.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions Receivable**

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution and grant revenue. Contributions receivable are written off when deemed uncollectible.

If the Organization becomes the beneficiary under 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.

**Investments**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in investment income on the statements of activities.

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

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	5 - 30 Years
Renovation and Expansion Costs	15 - 30 Years
Furniture, Fixtures, and Equipment	5 - 7 Years
Software	5 Years

**Impairment of Long-Lived Assets**

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. No impairment existed as of December 31, 2020 and 2019.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Assets, Property and Equipment, and Services**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. 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 if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**Net Assets**

The Organization's net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for the board designated endowment.

**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.

**Revenue Recognition**

**Contributions and Grants**

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue, if applicable. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Special Event Revenue – Ticket Sales**

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

**Third-party Reimbursements**

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

**Functional Expenses**

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The majority of the Organization's expenses are applied based on direct costs to programs and/or fundraising, with remaining costs being charged to management/general. Payroll taxes and employee benefits are allocated on the basis of management's estimates of time and effort. In 2019, the Organization initiated a capital campaign to expand the house to accommodate more families. Campaign related fundraising expenses totaled \$85,421 and \$330,948 for the years ended December 31, 2020 and 2019, respectively.

**Income Tax Status**

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.

**Reclassifications**

Certain amounts have been reclassified for the year ended December 31, 2019 to conform to the presentation for the year ended December 31, 2020. The reclassifications had no impact on previously reported net assets.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 LIQUIDITY**

The Organization has \$3,051,488 and \$1,857,543 of financial assets, as of December 31, 2020 and 2019, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the assets section of the statement and adjusted as follows:

	2020	2019
Assets at year end:	\$ 9,766,744	\$ 8,423,549
Less amounts not available to be used within one year due to liquidity:		
Unconditional promise to give, net-due after one year	(748,371)	(725,420)
Beneficial Use of Land	(2,294,607)	(2,307,879)
Prepaid expenses	(37,970)	(36,907)
Investment at Coastal Community Foundation of SC	(31,413)	(29,030)
Property and equipment, net	(2,102,999)	(2,192,184)
	(5,215,360)	(5,291,420)
Less amounts not available to be used within one year due to:		
Donor imposed restrictions:		
Board designated endowment	(79,511)	(70,018)
Future expendable donor-restricted endowment, net of spendable amounts	(803,890)	(588,073)
Portion of donor-restricted endowment to be retained in perpetuity	(616,495)	(616,495)
	(1,499,896)	(1,274,586)
Financial assets available to meet general expenditures over the next twelve months	\$ 3,051,488	\$ 1,857,543

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments.

Although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its endowment could be made available if necessary. The endowment has a spending rate of no more than 5% to cover any shortfall in operating funds. Appropriations from the endowment that are available within the next 12 months totaled \$40,158 and \$29,403, as of December 31, 2020 and 2019, respectively.

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**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

	2020	2019
Amounts due in:		
Less than One Year	\$ 348,071	\$ 310,029
One to Five Years	803,011	777,833
Total	1,151,082	1,087,862
Unamortized Discount	(31,618)	(30,656)
Allowance for Uncollectibles	(23,022)	(21,757)
Net Contributions Receivable	\$ 1,096,442	\$ 1,035,449

The discount rate used for the years ended December 31, 2020 and 2019 approximated 2.7%.

**NOTE 4 FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.



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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2020 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 777,644	\$ -	\$ -	\$ -	\$ 777,644
Bonds	320,248	-	-	-	320,248
Domestic Common Stock	306,517	-	-	-	306,517
Certificates of Deposit	518,976	-	-	-	518,976
Investment in Coastal Community Foundation	-	31,413	-	-	31,413
<b>Total Assets</b>	<b>\$1,923,385</b>	<b>\$ 31,413</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,954,798</b>

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2019 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 612,144	\$ -	\$ -	\$ -	\$ 612,144
Bonds	304,371	-	-	-	304,371
Domestic Common Stock	274,737	-	-	-	274,737
Certificates of Deposit	513,807	-	-	-	513,807
Investment at Coastal Community Foundation	-	29,030	-	-	29,030
<b>Total Assets</b>	<b>\$ 1,705,059</b>	<b>\$ 29,030</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,734,089</b>

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments**

Overall Investment Objective

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors which oversees the Organization's investment program in accordance with established guidelines.

Allocation of Investment Strategies

RMHCC targets a diversified asset allocation that places an emphasis on traditional stocks, mutual funds, and fixed income securities to achieve its long-term return objectives within prudent risk constraints.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Interest and Dividend Income, Net	\$ 58,773	\$ 62,597
Realized and Unrealized Gains, Net	166,322	134,691
Investment Income, Net	\$ 225,095	\$ 197,288

**NOTE 5 INVESTMENTS**

Investments, other than those held at the Coastal Community Foundation (see Note 6), are stated at fair value and consist of the following at December 31:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Common Stock - McDonald's Corp	\$ 306,517	\$ 57,387	\$ 274,767	\$ 50,295
Certificates of deposit	518,976	500,000	513,807	500,000
Mutual Funds - equities	777,644	592,015	612,144	536,880
Mutual Funds - bonds	320,248	320,845	304,371	301,184
Total investments	\$ 1,923,385	\$ 1,470,247	\$ 1,705,089	\$ 1,388,359

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**NOTE 6 INVESTMENT IN COASTAL COMMUNITY FOUNDATION**

In June 2009, an endowment fund was established with the Coastal Community Foundation (the "CCF") of South Carolina by RMHCC. RMHCC retains variance power over the fund and four percent of the fund's earnings may be distributed to the Organization on an annual basis. The contributions into the fund are invested in the CCF's pooled account, which consists of equity funds, fixed income funds, growth funds and other investments. The Coastal Community Foundation investment account had a fair market value of \$31,413 and \$29,030 as of December 31, 2020 and 2019, respectively.

In addition, an endowment fund was established with CCF of South Carolina by the Gilbreth Family. RMHCC retains no variance power over this fund, and therefore the account is not included in the financial statements of RMHCC, but RMHCC receives a percentage of earnings. Amounts received totaled \$9,436 and \$9,514 for the years ended December 31, 2020 and 2019, respectively. The balance of this fund as of December 31, 2020 and 2019 was \$269,310 and \$248,993, respectively.

**NOTE 7 PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>
Buildings and Improvements	\$ 665,463	\$ 650,227
Renovation and Expansion Costs	3,965,919	4,082,861
Equipment	364,509	304,551
Furniture and Fixtures	158,068	234,632
Software	<u>30,003</u>	<u>26,298</u>
Total, at Cost	5,183,962	5,298,569
Accumulated Depreciation	<u>(3,080,963)</u>	<u>(3,106,385)</u>
Total Property and Equipment, Net	<u>\$ 2,102,999</u>	<u>\$ 2,192,184</u>

Depreciation for the years ended December 31, 2020 and 2019 was \$197,597 and \$227,817, respectively.

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**NOTE 8 BENEFICIAL USE OF LAND**

The land upon which the House sits has been leased from MUSC since 1982 under a twenty-year lease, which expired April 2002. The lease agreement included a provision for four successive five-year extension periods. The House was exercising the first option period when the lease was re-negotiated and a new lease was made September 1, 2004.

The new lease was expanded to include parking on an adjacent lot. The initial term of the new lease was ten years and included a provision to extend the lease for another ten years. In September 2014, the lease was renewed through August 31, 2024. The annual rent was five dollars.

In October 2017, the lease was amended to extend the lease renewal term by an additional 57 years to end on August 2074 and increased the rent from \$5 to \$10 dollars. An independent assessment determined that the annual rental value was estimated to be approximately \$100,000 per year. In connection with this lease agreement, the Organization discounted the value of the 57-year term of the lease using a discount rate of 3.7% (one year LIBOR as of August 31, 2017, plus 2%), and recorded a restricted contribution in 2017 in the amount of \$2,366,349. The value remaining on the use of land as of December 31, 2020 and 2019 is \$2,294,607 and \$2,307,879, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2020 and 2019, rent expense of approximately \$100,000 was recorded in connection with this lease agreement, offset by the change in the discount to present value of \$86,718 and \$87,200, respectively.

**NOTE 9 REFUNDABLE ADVANCE**

On April 22, 2020, the Organization received proceeds in the amount of \$157,695 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 had not satisfied the performance barriers. The entire amount is classified as a refundable advance in the accompanying statements of financial position. 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. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 60 months after the covered period, then payment of principal and interest shall begin on that date. The covered period from 04/22/2020 to 10/07/2020 is the time that an organization has to spend their PPP funds. Subsequent to December 31, 2020, the PPP loan was forgiven in full (see Note 21).

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**NOTE 10 ENDOWMENT FUNDS**

The Organization's endowment consists of three individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various 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 of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

*Investment Return Objectives, Risk Parameters and Strategies.* RMHCC 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 those assets of donor-restricted funds that RMHCC must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of broad market measures of return on investments.

To satisfy its long-term rate-of-return objectives, RMHCC 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). RMHCC targets a diversified asset allocation that places an emphasis on equity-based investments and mutual funds to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy.* RMHCC has a policy of appropriating for distributions as needed to cover any shortfall in operating funds. In applying this policy, RMHCC considers the long-term expected return on its endowment. Accordingly, over the long term, RMHCC expects the current spending policy to allow its endowment to grow annually. This is consistent with RMHCC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 70,018	\$ 1,204,568	\$ 1,274,586
Investment return, net	2,443	216,263	218,706
Contributions	7,050	-	7,050
Appropriation of endowment assets for expenditure	-	(446)	(446)
Other Changes:			
Transfers to remove board-designated endowment funds	-	-	-
Transfers to create board-designated endowment funds	-	-	-
Endowment net assets, end of year	<u>\$ 79,511</u>	<u>\$ 1,420,385</u>	<u>\$ 1,499,896</u>
Board-designated endowment funds	\$ 79,511	\$ -	\$ 79,511
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	616,495	616,495
Portion subject to appropriation under UPMIFA	-	803,890	803,890
Total funds	<u>\$ 79,511</u>	<u>\$ 1,420,385</u>	<u>\$ 1,499,896</u>

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**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 54,994	\$ 1,023,608	\$ 1,078,602
Investment return, net	3,666	181,400	185,066
Contributions	11,358	-	11,358
Appropriation of endowment assets for expenditure	-	(440)	(440)
Other Changes:			
Transfers to remove board-designated endowment funds	-	-	-
Transfers to create board-designated endowment funds	-	-	-
Endowment net assets, end of year	<u>\$ 70,018</u>	<u>\$ 1,204,568</u>	<u>\$ 1,274,586</u>
Board-designated endowment funds	\$ 70,018	\$ -	\$ 70,018
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	616,495	616,495
Portion subject to appropriation under UPMIFA	-	588,073	588,073
Total funds	<u>\$ 70,018</u>	<u>\$ 1,204,568</u>	<u>\$ 1,274,586</u>

*Fund Deficiencies.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

The endowment balances are included in the following accounts at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 64,075	\$ 54,305
Investments	1,404,408	1,191,251
Investment in the Coastal Community Foundation of SC	31,413	29,030
Total	<u>\$ 1,499,896</u>	<u>\$ 1,274,586</u>

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**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2020	2019
<b>Subject to expenditure for specific purpose:</b>		
Program Activities:		
Ronald McDonald House Operations	\$ 77,293	\$ 33,105
Ronald McDonald Family Room/Happy Carts	8,299	7,299
Beneficial Use of Land	2,294,607	2,307,879
	2,380,199	2,348,283
<b>Subject to passage of time and capital campaign:</b>		
For periods after December 31	2,272,738	1,394,303
<b>Subject to the Organization's spending policy and appropriation:</b>		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	616,495	616,495
Accumulated Gain (Losses)	803,890	588,073
Total – Ronald McDonald House Operations	1,420,385	1,204,568
Total net assets with donor restrictions	\$ 6,073,322	\$ 4,947,154

Net assets with donor restrictions in perpetuity at December 31, 2020 and 2019 include \$531,495 of the Joan Kroc endowment corpus, \$10,000 related to the Organization's Share-a-Night program invested in perpetuity and \$75,000 of the Tarrant endowment corpus. The income from the Joan Kroc and Tarrant endowments is expendable to support any operating activities of the Organization; the income from the Share-a-Night is expendable to support only House expenses.



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**NOTE 12 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Ronald McDonald House	\$ 119,119	\$ 12,192
Ronald McDonald Family Room/Happy Carts	-	43
Beneficial Use of Land	<u>13,272</u>	<u>12,790</u>
	132,391	25,025
Time restrictions expired:		
Passage of specified time	-	-
Release of appropriated endowment returns without purpose restrictions	<u>446</u>	<u>440</u>
Total restrictions released	<u>\$ 132,837</u>	<u>\$ 25,465</u>

**NOTE 13 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Board-Designated Endowment	\$ 79,511	\$ 70,018

**NOTE 14 REVENUE RECOGNITION**

The following table shows the Organization's revenue subject to performance obligations disaggregated according to the timing of the transfer of goods or services:

	<u>2020</u>	<u>2019</u>
Revenue Recognized at a Point in Time		
Special Events Revenue, Net	\$ 244,450	\$ 319,761
Room Donations/Fees	5,350	14,930
Third-Party Reimbursements	118,055	165,235
Other Income	<u>56,399</u>	<u>38,622</u>
Total Revenue Recognized at a Point in Time	<u>\$ 424,254</u>	<u>\$ 538,548</u>

The Organization's contract assets and liabilities consist of:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Contract Assets:		
Accounts receivable, net	<u>\$ 72,446</u>	<u>\$ 57,663</u>
Contract Liabilities:		
Unearned revenue	<u>\$ 13,111</u>	<u>\$ -</u>

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**NOTE 15 DONATED GOODS AND SERVICES**

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Family Support Services and Supplies	\$ 173,250	\$ -
Cleaning Services and Supplies	87,932	-
Special Events	33,278	-
Other	<u>60,316</u>	<u>386,072</u>
	<u>\$ 354,776</u>	<u>\$ 386,072</u>

The contributed amounts included various services for fundraising and for House operations, including donated meals.

**NOTE 16 SPECIAL EVENTS**

RMHCC held two Golf Tournaments and the Bag Lady event during 2020 and one Golf Tournament and the Bag Lady event during 2019. Revenues and expenses from these special events are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Golf Tournaments	\$ 289,178	\$ 148,206	\$ 285,099	\$ 100,485
Bag Lady Event	107,543	4,065	163,823	28,676

**NOTE 17 TAX-DEFERRED ANNUITY PLAN**

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time and part-time employees of the Organization. The Organization contributes 4% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$9,945 and \$11,762 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 18 TRANSACTIONS WITH RELATED ENTITIES**

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.

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**NOTE 19 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

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% 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 \$51,288 and \$34,450, respectively, from these revenue streams.

The Board of Directors also contributes to RMHCC. The value of their cash contributions for the year ended December 31, 2020 and 2019 were \$274,936 and \$288,209, respectively. A member of the board also made in-kind contributions of \$14,503 for the year ended December 31, 2020 with no similar amounts for the year ended December 31, 2019. Unconditional promises to give due from board members at December 31, 2020 and 2019 were \$701,567 and \$762,612.

**NOTE 20 CONCENTRATIONS, COMMITMENTS, AND UNCERTAINTIES**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and promises to give. Cash and cash equivalents are in high-quality financial institutions. Though the market value of investments is subject to fluctuations from year-to-year, management believes the investment policy is prudent for the long-term welfare of the Organization.

The Organization relies on support and revenue from contributions that are mostly from donors in the Charleston, South Carolina geographic area.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Organization. These conditions could adversely affect the Organization's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Organization's operations. The full extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

**NOTE 21 SUBSEQUENT EVENTS**

On February 9, 2021, the Organization received notification from its lender and the SBA regarding 100% forgiveness of its full PPP loan in the amount of \$157,695 (See Note 9).

Subsequent to year end, the Organization received a loan in the amount of \$157,695 to fund payroll, rent, utilities, interest on mortgages and existing debt, and other eligible expenditures through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

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**NOTE 22 RECENT ACCOUNTING PRONOUNCEMENTS**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.