

Ronald McDonald House of Houston, Inc.

Financial Statements

and Independent Auditor's Report

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
Ronald McDonald House of Houston, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House of Houston, Inc. (RMH Houston) which comprise the statements of financial position as of December 31, 2019, and statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The Board of Directors of
Ronald McDonald House of Houston, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RMH Houston as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of RMH Houston for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on May 3, 2019.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 9, 2020

Ronald McDonald House of Houston, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 420,386	\$ 2,107,780
Investments	507,127	486,705
Contributions receivable, net	1,381,086	2,873,617
Contributions receivable from Houston House Foundation	1,900,000	2,200,000
Prepays and other assets	141,071	97,579
Property and equipment, net	<u>25,750,534</u>	<u>26,181,517</u>
TOTAL ASSETS	<u>\$ 30,100,204</u>	<u>\$ 33,947,198</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 65,247	\$ 297,700
Accrued payroll expenses	142,196	139,909
Construction payable	-	2,580,741
Due to Houston House Foundation	-	500,000
Deferred revenue	6,675	28,000
Revolving line of credit	<u>1,273,048</u>	<u>-</u>
Total liabilities	1,487,166	3,546,350
NET ASSETS		
Without donor restrictions	28,439,765	29,699,115
With donor restrictions	<u>173,273</u>	<u>701,733</u>
Total net assets	<u>28,613,038</u>	<u>30,400,848</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,100,204</u>	<u>\$ 33,947,198</u>

The Notes to Financial Statements
are an integral part of this statement.

Ronald McDonald House of Houston, Inc.

Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,485,264	\$ 208,933	\$ 1,694,197
Contributions to Capital Campaign	-	24,213	24,213
Contributions from Houston			
House Foundation	500,000	-	500,000
Special events	1,982,067	-	1,982,067
Direct donor benefits costs	(416,013)	-	(416,013)
In-kind contributions	144,501	-	144,501
House occupancy fees	347,886	-	347,886
Net investment return	20,726	-	20,726
Other income	5,863	-	5,863
Net assets released from restrictions:			
Program expenditures	305,156	(305,156)	-
Capital campaign expenses and assets placed in service	456,450	(456,450)	-
	<u>4,831,900</u>	<u>(528,460)</u>	<u>4,303,440</u>
Total revenue, gains and other support			
EXPENSES			
Program	4,434,243	-	4,434,243
Management and general	714,469	-	714,469
Fundraising	942,538	-	942,538
	<u>6,091,250</u>	<u>-</u>	<u>6,091,250</u>
Total expenses			
Change in net assets	(1,259,350)	(528,460)	(1,787,810)
NET ASSETS, beginning of year	<u>29,699,115</u>	<u>701,733</u>	<u>30,400,848</u>
NET ASSETS, end of year	<u>\$ 28,439,765</u>	<u>\$ 173,273</u>	<u>\$ 28,613,038</u>

The Notes to Financial Statements
are an integral part of this statement.

Ronald McDonald House of Houston, Inc.

Statement of Activities

Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,789,938	\$ 160,212	\$ 1,950,150
Contributions to Capital Campaign	-	5,037,234	5,037,234
Contributions from Houston			
House Foundation	500,000	-	500,000
Special events	1,795,522	-	1,795,522
Direct donor benefits costs	(306,896)	-	(306,896)
In-kind contributions	14,360	-	14,360
House occupancy fees	166,983	-	166,983
Net investment return	18,525	-	18,525
Other income	5,660	-	5,660
Net assets released from restrictions:			
Program expenditures	259,725	(259,725)	-
Capital campaign expenses and assets placed in service	21,707,350	(21,707,350)	-
Total revenue, gains and other support	<u>25,951,167</u>	<u>(16,769,629)</u>	<u>9,181,538</u>
EXPENSES			
Program	3,887,440	-	3,887,440
Management and general	656,081	-	656,081
Fundraising	823,723	-	823,723
Total expenses	<u>5,367,244</u>	<u>-</u>	<u>5,367,244</u>
Operating change in net assets	20,583,923	(16,769,629)	3,814,294
NET ASSETS, beginning of year	<u>9,115,192</u>	<u>17,471,362</u>	<u>26,586,554</u>
NET ASSETS, end of year	<u>\$ 29,699,115</u>	<u>\$ 701,733</u>	<u>\$ 30,400,848</u>

The Notes to Financial Statements
are an integral part of this statement.

Ronald McDonald House of Houston, Inc.

Statements of Functional Expenses Years Ended December 31, 2019 and 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Salaries	\$ 1,548,266	\$ 313,565	\$ 459,292	\$ 2,321,123
Employee benefits and payroll taxes	418,155	73,926	117,206	609,287
Depreciation and amortization	1,291,747	9,836	9,836	1,311,419
Supplies and equipment	602,195	1,590	420,660	1,024,445
Professional fees	-	197,144	36,848	233,992
Building and equipment maintenance	156,536	60,567	17,599	234,702
Utilities	173,503	-	-	173,503
Rent	52,889	21,743	42,899	117,531
Insurance	122,588	7,397	-	129,985
Printing and postage	18,322	1,634	19,438	39,394
Communications	43,496	1,145	1,145	45,786
Other	6,546	25,922	233,628	266,096
	<u>\$ 4,434,243</u>	<u>\$ 714,469</u>	<u>\$ 1,358,551</u>	<u>\$ 6,507,263</u>

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
Salaries	\$ 1,502,813	\$ 287,746	\$ 411,860	\$ 2,202,419
Employee benefits and payroll taxes	391,502	74,961	107,294	573,757
Depreciation and amortization	886,651	6,751	6,751	900,153
Supplies and equipment	569,270	3,564	362,217	935,051
Professional fees	49,191	155,625	134,372	339,188
Building and equipment maintenance	129,069	22,841	9,333	161,243
Utilities	146,232	-	-	146,232
Rent	42,195	42,195	36,167	120,557
Insurance	93,164	7,138	-	100,302
Printing and postage	20,010	6,157	47,206	73,373
Communications	35,819	9,323	3,709	48,851
Other	21,524	39,780	11,710	73,014
	<u>\$ 3,887,440</u>	<u>\$ 656,081</u>	<u>\$ 1,130,619</u>	<u>\$ 5,674,140</u>

The Notes to Financial Statements
are an integral part of this statement.

Ronald McDonald House of Houston, Inc.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,787,810)	\$ 3,814,294
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Contributions restricted for capital campaign projects	-	(5,037,234)
Depreciation and amortization	1,311,419	900,153
Net realized and unrealized gain (loss) on investments	(20,422)	11,684
Change in operating assets and liabilities:		
Contributions receivable	1,792,531	(400,951)
Prepaid and other assets	(43,492)	(31,797)
Accounts payable	(232,453)	707,032
Accrued payroll expenses	2,287	-
Construction payable	(2,580,741)	-
Due to Foundation	(500,000)	-
Deferred revenue	(21,325)	(3,673)
Net cash provided by (used in) operating activities	<u>(2,080,006)</u>	<u>(40,492)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital campaign construction costs	-	(12,357,615)
Purchases of property and equipment	(880,436)	(263,699)
Purchases of investments	-	(216,955)
Proceeds from sale of investments	-	864,800
Proceeds from sale of property and equipment	-	-
Net cash used in investing activities	<u>(880,436)</u>	<u>(11,973,469)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital campaign projects	-	7,602,205
Proceeds from line of credit, net	1,273,048	-
Net cash provided by financing activities	<u>1,273,048</u>	<u>7,602,205</u>
Net change in cash and cash equivalents	(1,687,394)	(4,411,756)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,107,780</u>	<u>6,519,536</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 420,386</u>	<u>\$ 2,107,780</u>
SUPPLEMENTAL AND NONCASH DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 59,547</u>	<u>\$ -</u>
Contributed property	<u>\$ -</u>	<u>\$ 228,933</u>

The Notes to Financial Statements are an integral part of this statement.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Ronald McDonald House of Houston, Inc. (RMH Houston) is a Texas nonprofit corporation. The mission of RMH Houston is to offer a comfortable, safe, and reliable home away from home providing care, compassion and hope to families with seriously ill children being treated in Texas Medical Center member institutions. RMH Houston owns and operates Holcombe House, a 70-bedroom house on Holcombe Boulevard in the Texas Medical Center in Houston, Texas. Holcombe House provided approximately 22,087 nights of lodging in 2019 and approximately 10,500 nights of lodging in 2018.

In 2014, RMH Houston launched *Behind Every Door*, a \$24.5 million capital campaign to improve Holcombe House. Capital improvements to Holcombe House included construction of a new two-story tower as well as renovation, reconfiguration, and upgrades of existing bedrooms, kitchens, and family areas to provide more private and functional space for families and to facilitate mobility throughout. Capital improvements were completed and in operation in the Fall 2018.

RMH Houston also operates a 20-bedroom house inside Texas Children's Hospital (TCH), a 14-bedroom house inside Children's Memorial Hermann Hospital, four Family Rooms inside TCH, a Family Room inside M.D. Anderson Children's Cancer Hospital and a Cookie Corner inside TCH's campus in West Houston.

Affiliated Organization

Houston House Foundation (the Foundation) was created in November 1989 with a contribution of \$3.2 million from RMH Houston. The Foundation was established exclusively for the benefit of RMH Houston. The Board of Directors of the Foundation have discretionary authority to determine the amount, manner and times for payment of any amounts to RMH Houston.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, which recognizes support and revenue when earned and expenses when incurred. The financial statements of RMH Houston are presented in accordance with accounting principles generally accepted in the United States of America applicable to not for profit organizations. Financial position and activities are reported according to two classes of net assets: (i) net assets without donor restrictions and (ii) net assets with donor restrictions.

Federal Income Tax Status

RMH Houston is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Contributions receivable

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. Any loss on contributions receivable recognized and the resulting adequacy of the allowance is determined using a combination of historical loss experience and analysis of individual balances. RMH Houston's policy is to write off balances against the allowance when management believes they will not be collected.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

Investments

Investments are reported at fair value. Net investment return consists of interest, dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses. Net investment return is reported in the statement of activities as an increase or decrease in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions.

Prepays and Other Assets

Prepays and other assets consist primarily of payments made in advance for expenses related to future periods.

Property and Equipment

Property is reported at cost if purchased and at fair value at the date of donation. Depreciation is computed on a straight-line basis over estimated useful lives of 3 to 35 years. RMH Houston capitalizes additions and improvements that have a tangible future economic life and a cost of more than \$1,000.

Net Asset Classification

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Special Events

Special events revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

In-kind Contributions

Donated materials and use of facilities are recognized at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

House Occupancy Fees

House occupancy fees are recognized at the time services are provided, net of estimated uncollectible amounts and discounts based on a family's ability to pay.

Functional Allocation of Expenses

Expenses are reported by their functional classification, including direct donor benefit costs, as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which RMH Houston exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, interest expense, and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, which amends ASC Topic 606, "Revenue from Contracts with Customers". The amendments in this ASU provide a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 for private entities. Certain revenue streams, such as grants, contributions and investment income, were scoped out. RMH Houston has adopted the guidance as of January 1, 2019 using the modified retrospective transition method. However, because adoption of this guidance did not change the timing or amount of RMH Houston's recognition of revenue, there was no adjustment to net assets needed as part of adoption of the new standard.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which amends ASC Topic 958, "Not-for-Profit Entities". The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction, and requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer asset. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 in which the entity serves as the resource recipient. RMH Houston has adopted the guidance as of January 1, 2019 using the modified prospective basis. The adoption of this guidance did not change the timing or amount of RMH Houston's recognition of revenue for contributions, as revenue recognition policies in place were consistent with revenue recognition policies noted in this amendment.

Note 2. Liquidity and Availability of Resources

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

Financial assets		
Cash and cash equivalents	\$	420,386
Investments		507,127
Contributions receivable		1,381,086
Contributions receivable from Houston House Foundation		1,900,000
Total financial assets, year end		4,208,599
Less financial assets not available for general expenditure		
Long-term portion of contributions receivable		(475,000)
Net assets with donor restrictions		(173,273)
Board-designated net assets not expected to be available in 2020		(1,900,000)
Total financial assets not available to be used within one year		(2,548,273)
Total financial assets available to meet general expenditures within one year	\$	1,660,326

For purposes of analyzing resources available to meet general expenditures over a 12-month period, RMH Houston considers all expenditures related to their ongoing mission of providing a comfortable, safe, and reliable *home away from home* to families with seriously ill children being treated in Texas Medical Center member institutions, as well as the activities undertaken to support this mission, to be general expenditures.

RMH Houston regularly monitors liquidity required to meet operating needs while striving to maximize the investment of available funds. As part of RMH Houston's liquidity management, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. The Board of Directors has designated resources without donor restrictions to be used for specific purposes. However, these funds remain available to be spent at the discretion of the Board of Directors.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

Note 3. Contributions Receivable

Contributions receivable consist of the following:

	2019	2018
Contributions receivable	\$ 1,443,821	\$ 2,929,624
Discount to net present value at 0.89% to 1.62%	(12,069)	(30,341)
Allowance for uncollectible contributions receivable	(50,666)	(25,666)
Contributions receivable, net	\$ 1,381,086	\$ 2,873,617

Contributions receivable at December 31, 2019 are expected to be collected as follows:

Within one year	\$ 968,821
In one to four years	475,000
Total contributions receivable	\$ 1,443,821

Contributions receivable at December 31, 2019 include \$1.12 million of balances outstanding from the capital campaign. Most of the donor restrictions were satisfied during 2018 when the building was placed in service. The proceeds from the remaining receivables will be used to reduce debt outstanding of approximately \$1,237,000 that arose when construction payables were paid during 2019.

Note 4. Concentration of Credit Risk

At December 31, 2019, approximately 61% of contributions receivable were due from two donors. At December 31, 2018, approximately 63% of contributions receivable were due from three donors. During the year ended December 31, 2019, RMHH had no concentration of contributions. During the year ended December 31, 2018, approximately 48% of contributions were from one donor.

Note 5. Investments

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- Level 2 – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- Level 3 – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

Mutual funds are valued at the reported net asset value. Investments measured at net asset value are excluded from the fair value hierarchy. RMH Houston's investments as of December 31, 2019 and 2018 were comprised solely of federal short-term bond mutual funds totaling \$507,127 and 486,705, respectively.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Note 6. Property and Equipment

Property is comprised of the following:

	2019	2018
Use of Texas Medical Center land	\$ 1,100,000	\$ 1,100,000
Building	29,293,169	28,677,241
Building improvements	2,014,294	1,817,991
Furniture and equipment	1,843,586	1,775,383
Total property and equipment, at cost	34,251,049	33,370,615
Accumulated depreciation and amortization	(8,500,515)	(7,189,098)
Property and equipment, net	\$ 25,750,534	\$ 26,181,517

Use of Land

RMH Houston entered into a 99-year lease agreement for \$1 per year with the Texas Medical Center on September 1, 1995 for the use of the land on which Holcombe House is located. The estimated fair value of this agreement of approximately \$1.1 million is reported as property and is being amortized over the life of the lease.

Capital Campaign Commitments

At December 31, 2018, RMH Houston had outstanding commitments of approximately \$760,000 related to capital campaign projects. At December 31, 2019, there were no outstanding commitments related to capital campaign projects.

Note 7. Line of Credit

RMH Houston has available a \$4,000,000 line of credit with a bank, expiring on October 24, 2022. Interest is payable monthly at LIBOR plus 1.75%. The line is secured by contributions receivable and proceeds from the Behind Every Door capital campaign. There was no outstanding balance as of December 31, 2018. The outstanding balance as of December 31, 2019 was \$1,273,048. The borrowings are to finance capital campaign project costs due to be paid before contributions receivable are collected.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

Note 8. Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

	2019	2018
Undesignated	\$ 789,231	\$ 983,194
Invested in property, net	25,750,534	26,181,517
Board designated for capital projects	1,900,000	2,200,000
Board designated for future projects	-	334,404
Total net assets without donor restrictions	\$ 28,439,765	\$ 29,699,115

In 2010, the Board of Directors of RMH Houston designated a fund for future projects to ensure the stability of the mission, programs, staffing and on-going operations of the Organization. The fund is intended to provide an internal source of funds for such matters as major capital expenditures, investment in new facilities, unanticipated losses in funding, uninsured losses, non-recurring unbudgeted expenses, and start-up costs for new program opportunities. The assets of this fund are included in investments. During 2017, the Foundation's Board of Trustees designated \$2,500,000 to support *Behind Every Door* capital campaign projects, \$300,000 of which was transferred to RMH Houston in 2018 and 2019, respectively.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Capital campaign projects	\$ -	\$ 432,236
Other RMH Houston operations and supplies	120,792	139,480
Family activities and services	52,481	130,017
Total net assets with donor restrictions	\$ 173,273	\$ 701,733

Note 10. Volunteer Services

Volunteers provide guest, maintenance, and administrative services that are integral to the operation of Holcombe House and in-hospital programs. During 2019, approximately 592 volunteers donated 15,186 hours for such services to in-hospital programs and 12,501 hours to Holcombe House. During 2018, approximately 650 volunteers donated 13,900 hours for such services to in-hospital programs and 9,900 hours to Holcombe House. No amount has been recognized in the financial statements for these volunteer services because they do not meet the criteria for recognition under generally accepted accounting principles.

Ronald McDonald House of Houston, Inc.

Notes to Financial Statements

Note 11. Retirement Plan

RMH Houston has a §401(k) retirement plan which covers all employees. RMH Houston contributes an amount equal to 3% of each employee's salary. In addition, RMH Houston will match 100% for each percent the employee contributes up to 3%. RMH Houston contributed \$125,140 to the plan in 2019 and \$119,261 to the plan in 2018.

Note 12. Operating Leases

RMH Houston leases certain office space used in its operations. Operating lease payments for the year ended December 31, 2019 and 2018 were approximately \$101,000 and \$92,000, respectively. As of December 31, 2019, the future minimum annual lease payments under these noncancelable operating leases are as follows:

Year Ending December 31,		
2020	\$	100,602
2021		8,384
Total	\$	108,986

Note 13. Subsequent Events

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States.

Financial markets have been severely impacted by fears that the COVID-19 pandemic will push the global economy into recession in addition to the decline in the price of oil. The U. S. stock market experienced a significant decline and remains volatile resulting in a substantial decline in the fair value of RMH Houston's investments subsequent to December 31, 2019. RMH Houston has temporarily closed several of its program to new family admissions to protect its visitors from the potential spread of COVID-19 and subsequently as a result of the state-wide stay-at-home orders. RMH Houston was granted a loan of approximately \$450,000 on April 10, 2020, under the Paycheck Protection Program legislation passed by the Federal government in order to continue to pay its employees and certain other eligible operating expenses in the short-term. The loan accrues interest at 1% and is payable over two years. The loan may be forgiven if used for qualifying expenses.

The extent of the impact of COVID-19 on RMH Houston's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on donors, employees, and vendors all of which are uncertain and cannot be predicted. Therefore, while RMH Houston expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through November 9, 2020, which is the date that the financial statements were available for issuance. No other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.