

**RONALD MCDONALD HOUSE CHARITIES OF
KENTUCKIANA AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

**RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
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Independent Auditor's Report

To the Board of Directors of
Ronald McDonald House Charities of
Kentuckiana and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Kentuckiana and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Kentuckiana and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Changes in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, Ronald McDonald House Charities of Kentuckiana and Affiliates adopted changes in accounting principles related to revenue recognition. Our opinion is not modified with respect to those matters.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Ronald McDonald House Charities of Kentuckiana and Affiliates as of December 31, 2019 were audited by other auditors whose report dated July 27, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Kentuckiana and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness Ronald McDonald House Charities of Kentuckiana and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Kentuckiana and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Novogradac & Company LLP

Cleveland, Ohio
June 23, 2022

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

| ASSETS | 2020 | 2019 |
|---------------------------------------|---------------|---------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 1,745,923 | \$ 287,728 |
| Accounts Receivable | 19,850 | 34,806 |
| Contributions Receivable, Net | 855,527 | 475,446 |
| Short-Term Investments | 1,764,436 | 3,646,632 |
| Prepaid Expenses | 39,600 | 29,919 |
| Other Assets | 7,410 | 6,785 |
| Total Current Assets | 4,432,746 | 4,481,316 |
| NONCURRENT ASSETS | | |
| Contributions Receivable, Net | 1,043,745 | 1,010,147 |
| Investments | 600,000 | 600,000 |
| Property and Equipment, Net | 19,857,770 | 18,442,378 |
| Other Assets | 32,965 | 35,021 |
| Total Noncurrent Assets | 21,534,480 | 20,087,546 |
| Total Assets | \$ 25,967,226 | \$ 24,568,862 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 324,343 | \$ 121,542 |
| Construction Payables | - | 565,306 |
| Total Current Liabilities | 324,343 | 686,848 |
| NET ASSETS | | |
| Without Donor Restrictions | | |
| Controlling Interest | 24,272,789 | 22,967,649 |
| Noncontrolling Interest | 597,029 | 197,229 |
| | 24,869,818 | 23,164,878 |
| With Donor Restrictions | 773,065 | 717,136 |
| Total Net Assets | 25,642,883 | 23,882,014 |
| Total Liabilities and Net Assets | \$ 25,967,226 | \$ 24,568,862 |

See accompanying Notes to Consolidated Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATED 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 |
| REVENUES AND OTHER SUPPORT | | | | | | |
| Contributions | \$ 1,309,672 | \$ 1,369,273 | \$ 2,678,945 | \$ 1,254,041 | \$ 885,496 | \$ 2,139,537 |
| Special Events Revenue | 595,258 | - | 595,258 | 610,845 | - | 610,845 |
| Room Donations | 180,918 | - | 180,918 | 147,667 | - | 147,667 |
| Other Income | 9,022 | - | 9,022 | 10,573 | - | 10,573 |
| Net Assets Released from Restrictions | 1,400,900 | (1,400,900) | - | 10,237,802 | (10,237,802) | - |
| Total Revenues and Other Support | <u>3,495,770</u> | <u>(31,627)</u> | <u>3,464,143</u> | <u>12,260,928</u> | <u>(9,352,306)</u> | <u>2,908,622</u> |
| EXPENSES | | | | | | |
| Program Services | 1,833,335 | - | 1,833,335 | 1,708,838 | - | 1,708,838 |
| Cost of Direct Benefits to Donors | 147,299 | - | 147,299 | 169,602 | - | 169,602 |
| Management and General Administration | 299,911 | - | 299,911 | 226,887 | - | 226,887 |
| Fundraising | 303,231 | - | 303,231 | 379,969 | - | 379,969 |
| Total Expenses | <u>2,583,775</u> | <u>-</u> | <u>2,583,775</u> | <u>2,485,296</u> | <u>-</u> | <u>2,485,296</u> |
| CHANGE IN NET ASSETS FROM OPERATIONS | 911,995 | (31,627) | 880,368 | 9,775,632 | (9,352,306) | 423,326 |
| Loss on Disposal of Prior Building Improvements | - | - | - | (1,316,463) | - | (1,316,463) |
| Investment Income, Net | <u>202,576</u> | <u>87,556</u> | <u>290,132</u> | <u>616,929</u> | <u>105,536</u> | <u>722,465</u> |
| CHANGE IN NET ASSETS | 1,114,571 | 55,929 | 1,170,500 | 9,076,098 | (9,246,770) | (170,672) |
| Less: Noncontrolling interest in RMHCK Real Estate, LLC loss | <u>190,570</u> | <u>-</u> | <u>190,570</u> | <u>393,141</u> | <u>-</u> | <u>393,141</u> |
| CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST | 1,305,141 | 55,929 | 1,361,070 | 9,469,239 | (9,246,770) | 222,469 |
| Syndication Costs | - | - | - | (97,199) | - | (97,199) |
| Contribution of capital from Enhanced Capital HTC Fund III | <u>399,800</u> | <u>-</u> | <u>399,800</u> | <u>197,229</u> | <u>-</u> | <u>197,229</u> |
| Net Assets - Beginning of Year | <u>23,164,878</u> | <u>717,136</u> | <u>23,882,014</u> | <u>13,595,609</u> | <u>9,963,906</u> | <u>23,559,515</u> |
| NET ASSETS - END OF YEAR | <u>\$ 24,869,818</u> | <u>\$ 773,065</u> | <u>\$ 25,642,883</u> | <u>\$ 23,164,878</u> | <u>\$ 717,136</u> | <u>\$ 23,882,014</u> |

See accompanying Notes to Consolidated Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | Program Services | | | | Management and General | Fundraising | Cost of Direct Benefits to Donors | Total |
|-------------------------------------|-----------------------------|-----------------------------------|----------------|--------------|------------------------------|-------------|---|--------------|
| | Ronald McDonald House | Ronald McDonald Family Room | Eliminations | Total | | | | |
| Salaries | \$ 529,105 | \$ - | \$ - | \$ 529,105 | \$ 122,101 | \$ 162,802 | \$ - | \$ 814,008 |
| Employee Benefits | 45,964 | - | - | 45,964 | 27,736 | 5,547 | - | 79,247 |
| Payroll Taxes | 42,402 | - | - | 42,402 | 8,958 | 8,361 | - | 59,720 |
| Total Salaries and Related Expenses | 617,470 | - | - | 617,470 | 158,795 | 176,710 | - | 952,975 |
| Amortization | - | - | - | - | 1,291 | - | - | 1,291 |
| Ancillary | 5,190 | - | - | 5,190 | - | 5,190 | - | 10,380 |
| Board Expense | 3,362 | - | - | 3,362 | 2,242 | - | - | 5,604 |
| Capital Campaign | - | - | - | - | - | (2,321) | - | (2,321) |
| Cleaning Services and Supplies | 288,328 | - | - | 288,328 | - | - | - | 288,328 |
| Depreciation | 498,030 | - | - | 498,030 | 1,167 | 1,167 | - | 500,364 |
| Direct Mail | 47,198 | - | - | 47,198 | - | 83,909 | - | 131,107 |
| Family Room Expense | - | 1,965 | - | 1,965 | - | - | - | 1,965 |
| Fundraising Events | - | - | - | - | - | 9,042 | 147,299 | 156,341 |
| Insurance | 36,437 | - | - | 36,437 | 1,918 | - | - | 38,355 |
| Interest | 534,098 | - | (533,333) | 765 | - | - | - | 765 |
| Maintenance and Repairs | 107,017 | - | - | 107,017 | - | - | - | 107,017 |
| Night Security | 52,286 | - | - | 52,286 | - | - | - | 52,286 |
| Office Supplies | 1,152 | - | - | 1,152 | 864 | 864 | - | 2,881 |
| Other expenses | - | - | - | - | 22,211 | - | - | 22,211 |
| Postage | 1,600 | - | - | 1,600 | 267 | 801 | - | 2,668 |
| Printing and Publishing | 63,879 | - | - | 63,879 | 9,828 | 24,569 | - | 98,276 |
| Professional Fees | - | - | - | - | 87,879 | - | - | 87,879 |
| Rent | 850,973 | - | (850,973) | - | - | - | - | - |
| Rental Supplies | - | - | - | - | 1,522 | - | - | 1,522 |
| Technology | 5,367 | - | - | 5,367 | 5,367 | 2,729 | - | 13,462 |
| Telephone | 18,078 | - | - | 18,078 | 380 | 571 | - | 19,029 |
| Travel, Meals, and Entertainment | 1,789 | - | - | 1,789 | 1,789 | - | - | 3,577 |
| Utilities | 83,422 | - | - | 83,422 | 4,391 | - | - | 87,813 |
| Total Expenses | \$ 3,215,676 | \$ 1,965 | \$ (1,384,306) | \$ 1,833,335 | \$ 299,911 | \$ 303,231 | \$ 147,299 | \$ 2,583,775 |

See accompanying Notes to Consolidated Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | | Management and General | Fundraising | Cost of Direct Benefits to Donors | | Total |
|-------------------------------------|-----------------------------|-----------------------------------|---------------------|---------------------|------------------------------|-------------------|---|---------------------|-------|
| | Ronald McDonald House | Ronald McDonald Family Room | Eliminations | Total | | | | | |
| Salaries | \$ 514,448 | \$ - | \$ - | \$ 514,448 | \$ 118,719 | \$ 158,292 | \$ - | \$ 791,459 | |
| Employee Benefits | 55,863 | - | - | 55,863 | 33,710 | 6,742 | - | 96,315 | |
| Payroll Taxes | 41,470 | - | - | 41,470 | 8,761 | 8,177 | - | 58,408 | |
| Total Salaries and Related Expenses | 611,781 | - | - | 611,781 | 161,190 | 173,211 | - | 946,182 | |
| Ancillary | 6,469 | - | - | 6,469 | - | 6,469 | - | 12,938 | |
| Board Expense | 4,833 | - | - | 4,833 | 3,222 | - | - | 8,055 | |
| Capital Campaign | - | - | - | - | - | 80,837 | - | 80,837 | |
| Cleaning Services and Supplies | 456,881 | - | - | 456,881 | - | - | - | 456,881 | |
| Depreciation | 221,947 | - | - | 221,947 | 520 | 520 | - | 222,987 | |
| Direct Mail | 47,598 | - | - | 47,598 | - | 84,619 | - | 132,217 | |
| Family Room Expense | - | 3,099 | - | 3,099 | - | - | - | 3,099 | |
| Fundraising Events | - | - | - | - | - | 10,222 | 169,602 | 179,824 | |
| Insurance | 31,721 | - | - | 31,721 | 1,670 | - | - | 33,391 | |
| Interest | 186,204 | - | (186,204) | - | - | - | - | - | |
| Maintenance and Repairs | 84,848 | - | - | 84,848 | - | - | - | 84,848 | |
| Night Security | 51,196 | - | - | 51,196 | - | - | - | 51,196 | |
| Office Supplies | 5,008 | - | - | 5,008 | 3,756 | 3,756 | - | 12,520 | |
| Other expenses | 14,608 | - | - | 14,608 | (16,589) | - | - | (1,981) | |
| Postage | 2,795 | - | - | 2,795 | 466 | 1,399 | - | 4,660 | |
| Printing and Publishing | 43,970 | - | - | 43,970 | 6,765 | 16,912 | - | 67,647 | |
| Professional Fees | - | - | - | - | 42,358 | - | - | 42,358 | |
| Rental Supplies | - | - | - | - | 2,153 | - | - | 2,153 | |
| Technology | 6,665 | - | - | 6,665 | 6,665 | 1,547 | - | 14,877 | |
| Telephone | 15,113 | - | - | 15,113 | 318 | 477 | - | 15,908 | |
| Travel, Meals, and Entertainment | 9,622 | - | - | 9,622 | 9,622 | - | - | 19,244 | |
| Utilities | 90,641 | - | - | 90,641 | 4,771 | - | - | 95,412 | |
| Volunteer Resources and Recognition | 43 | - | - | 43 | - | - | - | 43 | |
| Total Expenses | \$ 1,891,943 | \$ 3,099 | \$ (186,204) | \$ 1,708,838 | \$ 226,887 | \$ 379,969 | \$ 169,602 | \$ 2,485,296 | |

See accompanying Notes to Consolidated Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 1,170,500 | \$ (170,672) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 500,364 | 222,987 |
| Loss on Disposal of Prior Building Improvements | - | 1,316,463 |
| Net Realized and Unrealized Gains on Investments | (254,129) | (629,567) |
| Contributions Restricted for Long-Term Purposes | (1,369,273) | (871,992) |
| Changes in Discount of Pledges Receivable | 4,659 | (58,904) |
| (Income) Loss Attributed to Noncontrolling Interest | 190,570 | - |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | 14,956 | (22,509) |
| Contributions Receivable | (413,679) | 836,347 |
| Inventories | (625) | 2,491 |
| Prepaid Expenses | (9,681) | 135 |
| Other Assets | 2,056 | (35,021) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable and Accrued Expenses | 202,801 | (24,143) |
| Net Cash Provided (Used) by Operating Activities | 38,519 | 565,615 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (2,479,552) | (11,101,192) |
| Purchases of Investments | (1,477,617) | (1,253,875) |
| Proceeds from Sale of Investments | 3,607,772 | 8,441,099 |
| Net Cash Provided (Used) by Investing Activities | (349,397) | (3,913,968) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital Contributions to RMHCK Real Estate LLC | 399,800 | 590,370 |
| Syndication Costs | - | (97,199) |
| Contributions Restricted for Long-Term Purposes | 1,369,273 | 871,992 |
| Net Cash Provided (Used) by Financing Activities | 1,769,073 | 1,365,163 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,458,195 | (1,983,190) |
| Cash and Cash Equivalents - Beginning of Year | 287,728 | 2,270,918 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 1,745,923 | \$ 287,728 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Capitalized Construction Costs Unpaid at End of Year | \$ - | \$ 565,306 |

See accompanying Notes to Consolidated Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Kentuckiana, Inc. (“RMHCK”) is a Kentucky nonprofit charitable corporation. The mission of Ronald McDonald House Charities (“RMHC”) is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local chapters ascribe to five core values: they are focused on the critical needs of children, they lead with compassion, they celebrate the diversity of their people and their programs, they value their heritage and they operate with accountability and transparency.

RMHCK fulfills its 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 RMHCK, represent the core functions of RMHC:

Ronald McDonald House (the “House”)

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. RMHCK helps families stay close to their ill or injured child through the Ronald McDonald House program located in Louisville, Kentucky, 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 (the “Family Rooms”)

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 programs in Norton Children’s Hospital, Norton Women’s and Children’s Hospital and Frazier Rehab Institute in Louisville, Kentucky serve 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.

RMHCK is an affiliate of RMHC. RMHCK is responsible for raising the necessary funds to maintain and operate the House and Family Rooms.

RMHCK’s primary sources of revenue are contributions and grants in varying forms from individuals, corporate donors, other charitable organizations, and others.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RMHCK follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* ("FASB ASC"). Significant accounting policies are as follows:

Consolidation Policy

The consolidated financial statements include the accounts of RMHCK and its affiliates RMHCK Real Estate, LLC, and RMHCK Real Estate Member, Inc. All significant intercompany transactions are eliminated in the consolidated financial statements.

In 2017, RMHCK formed the following affiliated entities to pursue potential tax credits to assist in the funding of its ongoing expansion of their two existing buildings to better serve the families and children in need.

RMHCK Real Estate, LLC was formed as a limited liability company.
RMHCK Real Estate Member, Inc. was formed as a corporation.

RMHCK Real Estate Member, Inc. is structured as a wholly owned subsidiary of RMHCK. RMHCK Real Estate, LLC was owned 99% by RMHCK and 1% by RMHCK Real Estate Member, Inc. In connection with the financing of the renovation and expansion of its facilities, effective February 20, 2019, RMHCK exchanged its 99% ownership in RMHCK Real Estate, LLC, for an agreed upon capital commitment of \$2,361,000 from an investment member (Enhanced Capital HTC Fund III, LLC).

For financial reporting purposes, RMHCK continues to consolidate RMHCK Real Estate, LLC into its financial statements as RMHCK Real Estate Member, Inc. (wholly owned by RMHCK) is the managing member and has operational control of RMHCK Real Estate, LLC.

Basis of Presentation

The consolidated financial statements of RMHCK 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 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 KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

RMHCK's change in net assets from operations on the consolidated 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 consolidated financial statements in conformity with U.S. GAAP requires management of RMHCK to make estimates and assumptions that affect the amounts reported in the consolidated 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. RMHCK's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. RMHCK 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

RMHCK considers accounts receivable fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to activities when that determination is made. No amounts were charged to activities in 2020 or 2019. There were no amounts determined to be uncollectible for the years ended December 31, 2020 and 2019.

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 revenue. Contributions receivable are written off when deemed uncollectible. There were no amounts determined to be uncollectible for the years ended December 31, 2020 or 2019.

Inventories

Inventories of apparel and promotional items are recorded at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

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

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Investment return is reflected in the consolidated statements of activities based upon the existence and nature of any donor or legally imposed restrictions.

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 \$1,000 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 - 40 Years |
| Office Furniture and Equipment | 5 - 10 Years |

Impairment of Long-Lived Assets

RMHCK 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. RMHCK 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. RMHCK determined that no impairment loss need be recognized for applicable assets for the years ended December 31, 2020 and 2019.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED 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, RMHCK reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMHCK 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 RMHCK. RMHCK also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the consolidated financial statements.

Net Assets

RMHCK'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.

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.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. RMHCK reports contributions restricted by donors 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 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. 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, RMHCK will record such disallowance at the time the final assessment is made.

Functional Expenses

The consolidated statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of RMHCK. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain costs have been allocated among the program, management and general, and fundraising categories based on the estimated time spent on activities, space used or number of employees.

Advertising

RMHCK expenses advertising costs as they are incurred. RMHCK advertises through the use of newsletters, direct mail appeals, RMHCK web site, and McDonald's Co-op by means of donation boxes placed in all stores. Advertising expense was \$88,432 and \$43,967 for the years ended December 31, 2020 and 2019, respectively.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

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

RMHCK 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 consolidated financial statements.

RMHCK Real Estate, LLC is treated as a partnership for income tax purposes. RMHCK Real Estate Member, Inc. elected to be treated as a separate corporation for income tax purposes.

New Accounting Pronouncement

RMHCK adopted the requirements of the FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which replaces nearly all existing guidance on revenue recognition in the current year, applying the changes using a modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard's core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will require entities to make greater use of judgments and estimates than previously required and also requires additional disclosures and financial statement presentations. The standard is effective for RMHCK for the year ended December 31, 2020. RMHCK has adopted the guidance in the ASU as of December 31, 2020; however, adoption had no material impact on RMHCK's consolidated financial statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 LIQUIDITY

RMHCK has a goal to maintain financial assets, and specifically cash, on hand to meet 365 days of normal operating expenses. RMHCK has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Financial assets, at year-end | \$ 6,029,481 | \$ 6,054,759 |
| Less: those unavailable for general expenditures within one year, due to: | | |
| Contributions receivable, long-term | (1,043,745) | (1,010,147) |
| Contractual or donor-imposed restrictions: | | |
| Kroc and Arentsen endowment funds | (600,000) | (600,000) |
| Board designated capital project funds | (1,017) | (852,144) |
| | \$ 4,384,719 | \$ 3,592,468 |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 4,384,719 | \$ 3,592,468 |
| Cash and Cash Equivalents | \$ 1,745,923 | \$ 287,728 |
| Accounts Receivable | 19,850 | 34,806 |
| Contributions Receivable, Net | 1,899,272 | 1,485,593 |
| Investments | 2,364,436 | 4,246,632 |
| | \$ 6,029,481 | \$ 6,054,759 |
| Financial Assets at Year-End | \$ 6,029,481 | \$ 6,054,759 |

NOTE 3 CONTRIBUTIONS RECEIVABLE

| | December 31 | |
|-------------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Amounts due in: | | |
| Less than one year | \$ 855,527 | \$ 475,446 |
| One to five years | 1,145,442 | 1,007,185 |
| More than five years | - | 100,000 |
| | 2,000,969 | 1,582,631 |
| Total | | |
| | 2,000,969 | 1,582,631 |
| Unamortized Discount | 101,697 | 97,038 |
| | \$ 1,899,272 | \$ 1,485,593 |
| Net Contributions Receivable | \$ 1,899,272 | \$ 1,485,593 |

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using an applicable discount rate, which is equivalent to RMHCK's incremental borrowing rate of 2.63%.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 INVESTMENTS

Overall Investment Objective--The overall investment objective of RMHCK 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. RMHCK diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors which oversees RMHCK's investment program in accordance with established guidelines.

Investments consisted of the following at December 31, 2020:

| | <u>Fair Value</u> | <u>Cost</u> | <u>Cumulative Unrealized Gain (Loss)</u> |
|---------------------------------------|-----------------------|---------------------|--|
| Undesignated | | | |
| Operating Reserve Fund | | | |
| Cash equivalents | \$ 7,467 | \$ 7,467 | \$ - |
| Exchange traded funds | 255,600 | 197,215 | 58,385 |
| Mutual funds | | | |
| Index funds | 195,032 | 107,192 | 87,840 |
| Domestic equity | 602,427 | 411,009 | 191,418 |
| International equity | 214,098 | 158,902 | 55,196 |
| Bond funds | 275,670 | 272,436 | 3,234 |
| Total Undesignated Investments | <u>\$ 1,550,294</u> | <u>\$ 1,154,221</u> | <u>\$ 396,073</u> |
| Designated | | | |
| Capital Project Fund | | | |
| Cash equivalents | \$ 175 | \$ 175 | \$ - |
| Common stock | 842 | - | 842 |
| Total Designated Investments | <u>\$ 1,017</u> | <u>\$ 175</u> | <u>\$ 842</u> |
| Retention Plan Account | | | |
| Cash equivalents | \$ 40,059 | \$ 40,059 | \$ - |
| Total Retention Plan Account | <u>\$ 40,059</u> | <u>\$ 40,059</u> | <u>\$ -</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 INVESTMENTS (CONTINUED)

Investments consisted of the following at December 31, 2020 (continued):

| | <u>Fair Value</u> | <u>Cost</u> | <u>Cumulative Unrealized Gain (Loss)</u> |
|--|-----------------------|---------------------|--|
| Kroc Restricted Fund | | | |
| Cash equivalents | \$ 6,557 | \$ 6,557 | \$ - |
| Exchange traded funds | 70,355 | 50,428 | 19,927 |
| Mutual funds | | | |
| Index funds | 80,387 | 44,923 | 35,465 |
| Domestic equity | 220,614 | 170,620 | 49,994 |
| International equity | 50,864 | 36,564 | 14,299 |
| Bond funds | 193,084 | 190,851 | 2,234 |
| Total Kroc Restricted Fund | <u>\$ 621,861</u> | <u>\$ 499,943</u> | <u>\$ 121,918</u> |
| Janet Arentsen Endowment Fund | | | |
| Cash equivalents | \$ 3,370 | \$ 3,370 | \$ - |
| Exchange traded funds | 16,966 | 12,189 | 4,777 |
| Mutual funds | | | |
| Index funds | 16,933 | 9,416 | 7,517 |
| Domestic equity | 65,571 | 48,782 | 16,789 |
| International equity | 20,419 | 14,567 | 5,852 |
| Bond funds | 27,946 | 27,421 | 525 |
| Total Janet Arentsen Endowment Fund | <u>\$ 151,205</u> | <u>\$ 115,745</u> | <u>\$ 35,460</u> |
| Total Restricted Investments | <u>\$ 773,066</u> | <u>\$ 615,688</u> | <u>\$ 157,378</u> |
| Total Investments | <u>\$ 2,364,436</u> | <u>\$ 1,810,143</u> | <u>\$ 554,293</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 INVESTMENTS (CONTINUED)

Investments consisted of the following at December 31, 2019:

| | <u>Fair Value</u> | <u>Cost</u> | <u>Cumulative Unrealized Gain (Loss)</u> |
|---------------------------------------|-----------------------|---------------------|--|
| Undesignated | | | |
| Operating Reserve Fund | | | |
| Cash equivalents | \$ 28,495 | \$ 28,495 | \$ - |
| Mutual funds | | | |
| Index funds | 437,773 | 295,535 | 142,238 |
| Domestic equity | 744,551 | 634,273 | 110,278 |
| International equity | 382,335 | 320,627 | 61,708 |
| Bond funds | 1,084,198 | 1,085,062 | (864) |
| Total Undesignated Investments | <u>\$ 2,677,352</u> | <u>\$ 2,363,992</u> | <u>\$ 313,360</u> |
| Designated | | | |
| Capital Project Fund | | | |
| Cash equivalents | \$ 11,359 | \$ 11,359 | \$ - |
| Mutual funds | | | |
| Index funds | 147,625 | 96,931 | 50,694 |
| Domestic equity | 239,408 | 192,383 | 47,025 |
| International equity | 139,227 | 112,230 | 26,997 |
| Bond funds | 314,525 | 314,049 | 476 |
| Total Designated Investments | <u>\$ 852,144</u> | <u>\$ 726,952</u> | <u>\$ 125,192</u> |
| Kroc Restricted Fund | | | |
| Cash equivalents | \$ 10,691 | \$ 10,691 | \$ - |
| Exchange traded funds | 27,008 | 20,470 | 6,538 |
| Mutual funds | | | |
| Index funds | 122,556 | 83,563 | 38,993 |
| Domestic equity | 165,084 | 143,500 | 21,584 |
| International equity | 54,214 | 48,489 | 5,725 |
| Bond funds | 200,154 | 200,813 | (659) |
| Total Kroc Restricted Fund | <u>\$ 579,707</u> | <u>\$ 507,526</u> | <u>\$ 72,181</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 INVESTMENTS (CONTINUED)

Investments consisted of the following at December 31, 2019 (continued):

| | Fair Value | Cost | Cumulative Unrealized Gain (Loss) |
|--|-----------------------|---------------------|--|
| Janet Arentsen Endowment Fund | | | |
| Cash equivalents | \$ 3,995 | \$ 3,995 | \$ - |
| Exchange traded funds | 13,097 | 11,132 | 1,965 |
| Mutual funds | | | |
| Index funds | 26,908 | 18,174 | 8,734 |
| Domestic equity | 40,884 | 32,833 | 8,051 |
| International equity | 25,169 | 20,781 | 4,388 |
| Bond funds | 27,376 | 27,293 | 83 |
| Total Janet Arentsen Endowment Fund | \$ 137,429 | \$ 114,208 | \$ 23,221 |
| Total Restricted Investments | \$ 717,136 | \$ 621,734 | \$ 95,402 |
| Total Investments | \$ 4,246,632 | \$ 3,712,678 | \$ 533,954 |

In determining fair value, RMHCK 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.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 INVESTMENTS (CONTINUED)

Fair value of assets measured on a recurring basis as of December 31, 2020 is as follows:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|-----------------------|-----------------------|---------------------|----------------|----------------|
| Cash equivalents | \$ 57,628 | \$ 57,628 | \$ - | \$ - |
| Exchange traded funds | 342,921 | 342,921 | - | - |
| Common stock | 842 | 842 | | |
| Mutual funds | | | | |
| Index funds | 292,352 | 292,352 | - | - |
| Domestic equity | 888,611 | 888,611 | - | - |
| International equity | 285,381 | 285,381 | - | - |
| Bond funds | 496,701 | 496,701 | - | - |
| | <u>\$ 2,364,436</u> | <u>\$ 2,364,436</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair value of assets measured on a recurring basis as of December 31, 2019 is as follows:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|-----------------------|-----------------------|---------------------|----------------|----------------|
| Cash equivalents | \$ 54,540 | \$ 54,540 | \$ - | \$ - |
| Exchange traded funds | 40,105 | 40,105 | - | - |
| Mutual funds | | | | |
| Index funds | 734,862 | 734,862 | - | - |
| Domestic equity | 1,189,927 | 1,189,927 | - | - |
| International equity | 600,945 | 600,945 | - | - |
| Bond funds | 1,626,253 | 1,626,253 | - | - |
| | <u>\$ 4,246,632</u> | <u>\$ 4,246,632</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the consolidated statements of financial position for RMHCK's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs in 2020 or 2019.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 INVESTMENTS (CONTINUED)

Total investment income is comprised of the following:

| | Year Ended December 31 | |
|---|-------------------------------|-------------------|
| | 2020 | 2019 |
| Interest and dividend income | \$ 47,386 | \$ 114,587 |
| Net realized and unrealized gains (losses) on investments reported at fair value | 254,129 | 629,567 |
| Less investment related expenses | <u>(11,383)</u> | <u>(21,689)</u> |
| Total | <u>\$ 290,132</u> | <u>\$ 722,465</u> |

NOTE 5 PROPERTY AND EQUIPMENT

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

| | December 31 | |
|-----------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Land | \$ 510,000 | \$ 510,000 |
| Buildings and Improvements | 19,638,994 | 13,051,715 |
| Construction in progress | - | 4,770,937 |
| Furniture and equipment | <u>692,558</u> | <u>592,691</u> |
| Total, at Cost | 20,841,552 | 18,925,343 |
| Less accumulated depreciation | <u>(983,782)</u> | <u>(482,965)</u> |
| Net Property and Equipment | <u>\$ 19,857,770</u> | <u>\$ 18,442,378</u> |

During 2016, RMHCK purchased an additional building as part of a larger capital campaign which involved expanding capacity and renovating the House's existing rooms in order to meet RMHCK's growing needs. During 2019, RMHCK recognized a \$1,316,463 abandonment loss related to previously capitalized building improvement costs that were incurred prior to the renovation and expansion project. Phase 1 of the renovation was completed and placed into service in 2019, and Phase 2 was completed and placed into service in 2020.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 ENDOWMENT FUNDS

Board-designated Endowment--RMHCK has designated a portion of its unrestricted net assets as a general endowment fund to support the mission of RMHCK. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

RMHCK has a spending policy of appropriating funds for distribution as needed for significant repairs, maintenance expenses and future facility expansions. In establishing this policy, RMHCK considered the long-term expected investment return on its endowment. Accordingly, RMHCK has invested the endowment in an asset allocation of highly liquid equity-based investments and fixed income securities to achieve its return objectives within risk parameters.

Donor-designated Endowment--As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHCK 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHCK classifies such gifts as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as unappropriated endowment income until those amounts are appropriated for expenditure by RMHCK in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, RMHCK 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 RMHCK, and (7) RMHCK's investment policies.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 ENDOWMENT FUNDS (CONTINUED)

Changes in board-designated and donor-restricted endowment during the years ended December 31, 2020 and 2019 are as follows:

| | Board- Designated Endowment (Net Assets without Donor Restrictions) | Donor- Restricted Endowment (Net Assets with Donor Restrictions) |
|--------------------------------------|--|---|
| | <u> </u> | <u> </u> |
| Balance at January 1, 2019 | \$ 1,333,888 | \$ 648,270 |
| Investment income | 33,648 | 17,984 |
| Net appreciation | 203,888 | 87,552 |
| Amounts appropriated for expenditure | <u>(719,280)</u> | <u>(36,670)</u> |
| Total Change in Endowment | (481,744) | 68,866 |
| Balance at December 31, 2019 | 852,144 | 717,136 |
| Investment income | 135,778 | 25,566 |
| Net appreciation | (125,206) | 61,990 |
| Amounts appropriated for expenditure | <u>(861,699)</u> | <u>(31,627)</u> |
| Total Change in Endowment | <u>(851,127)</u> | <u>55,929</u> |
| Balance at December 31, 2020 | <u>\$ 1,017</u> | <u>\$ 773,065</u> |

Endowment Investment and Spending Policies--RMHCK has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. RMHCK's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Each of RMHCK's funds have a long-term objective to provide stability of principal and income. Arentsen's return objective is to return 7%, net of investment fees, over a full market cycle, approximately five to seven years. Kroc's return objective is to return 5%, net of investment fees, over a full market cycle, approximately five to seven years. Actual returns, in any given year, may vary from this amount. Each fund also has relative objectives that include generating a return in excess of the passive portfolio benchmark for each asset class, exceeding the rate of inflation, assumed to be approximately 3% over a five to ten-year period, and exceeding the 50th percentile return of a universe comprised of funds or managers with similar objectives and/or styles. RMHCK targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 ENDOWMENT FUNDS (CONTINUED)

The spending policy for Kroc specifies that income only from the fund will be used for operating expenses. The spending policy for Arentsen requires that a rolling fair market value average for the previous eight quarters, the value for a quarter to be determined as of the last day of each quarter, shall be determined and 5% of this amount shall be available to be spent for the objective of the fund in the succeeding year, as the Board of Directors of RMHCK determines.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

RMHCK receives certain contributions for which the use is restricted by the donor or is subject to a time restriction. For the years ended December 31, 2020 and 2019, the activity in net assets with donor restrictions consisted of the following:

| | <u>Balance December 31 2019</u> | <u>Restricted Contributions and Grants</u> | <u>Net Assets Released from Restrictions</u> | <u>Balance December 31 2020</u> |
|--------------------------------------|---|--|--|---|
| <i>Controlling Interest:</i> | | | | |
| Restricted for Specific Purpose | | | | |
| Debt relief and building renovations | \$ - | \$ 1,369,273 | \$ (1,369,273) | \$ - |
| Kroc and Arentsen Endowments | | | | |
| Investment in perpetuity | 600,000 | - | - | 600,000 |
| Unappropriated endowment earnings | 117,136 | 87,556 | (31,627) | 173,065 |
| <i>Noncontrolling Interest</i> | - | - | - | - |
| | <u>\$ 717,136</u> | <u>\$ 1,456,829</u> | <u>\$ (1,400,900)</u> | <u>\$ 773,065</u> |
| | | | | |
| | <u>Balance December 31 2018</u> | <u>Restricted Contributions and Grants</u> | <u>Net Assets Released from Restrictions</u> | <u>Balance December 31 2019</u> |
| <i>Controlling Interest:</i> | | | | |
| Restricted for Specific Purpose | | | | |
| Debt relief and building renovations | \$ 9,315,636 | \$ 885,496 | \$ (10,201,132) | \$ - |
| Kroc and Arentsen Endowments | | | | |
| Investment in perpetuity | 600,000 | - | - | 600,000 |
| Unappropriated endowment earnings | 48,270 | 105,536 | (36,670) | 117,136 |
| <i>Noncontrolling Interest</i> | - | - | - | - |
| | <u>\$ 9,963,906</u> | <u>\$ 991,032</u> | <u>\$ (10,237,802)</u> | <u>\$ 717,136</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 DONATED GOODS AND SERVICES

Donated goods and services consisted of the following for the year ended December 31, 2020:

| | <u>Program Services</u> | <u>Management and General Administration</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|--|--------------------|------------------|
| Cleaning service and supplies | \$ 48,880 | \$ - | \$ - | \$ 48,880 |
| Office supplies | - | 64 | - | 64 |
| Printing and publishing | - | - | 243 | 243 |
| Family room expense | 225 | - | - | 225 |
| Mattresses, furniture and artwork | 4,800 | - | - | 4,800 |
| | <u>\$ 53,905</u> | <u>\$ 64</u> | <u>\$ 243</u> | <u>\$ 54,212</u> |

Donated goods and services consisted of the following for the year ended December 31, 2019:

| | <u>Program Services</u> | <u>Management and General Administration</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|--|--------------------|-------------------|
| Cleaning service and supplies | \$ 119,496 | \$ - | \$ - | \$ 119,496 |
| Maintenance and repairs | - | - | - | - |
| Office supplies | - | 637 | - | 637 |
| Printing and publishing | - | - | 1,175 | 1,175 |
| Professional fees | - | 19,510 | - | 19,510 |
| Volunteer recognition | - | - | - | - |
| Mattresses, furniture and artwork | 125,981 | - | - | 125,981 |
| | <u>\$ 245,477</u> | <u>\$ 20,147</u> | <u>\$ 1,175</u> | <u>\$ 266,799</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 RETIREMENT PLAN

RMHCK has a simple IRA retirement plan. RMHCK matches 100% of employee contributions up to three percent of their compensation. RMHCK made contributions of \$17,876 and \$17,671 for the years ended December 31, 2020 and 2019, respectively. The contributions are included in employee benefits on the consolidated statements of functional expenses.

NOTE 10 RENOVATION AND EXPANSION FINANCING

In connection with the financing of the renovation and expansion of its facilities, effective February 20, 2019, RMHCK authorized and transacted the following:

RMHCK Real Estate, LLC amended and restated its operating agreement whereby RMHCK withdrew its 99% ownership and RMHCK Real Estate LLC admitted a 99% investor member (Enhanced Capital HTC Fund III, LLC), with an agreed upon capital commitment of \$2,361,481 to be provided over the renovation and expansion project. RMHCK Real Estate Member, Inc. remained a 1% managing member with a revised capital commitment of \$75,000 (which was funded through the payment of construction costs in 2019).

RMHCK agreed to serve as the guarantor of RMHCK Real Estate Member, Inc.'s obligations as managing member of RMHCK Real Estate, LLC.

The current lease between RMHCK and RMHCK Real Estate, LLC was amended to change the term of the lease to 19 years and provide for payment of fair market value rent to commence upon completion of the project renovations. Future minimum lease payments are as follows:

| <u>Year Ending December 31</u> | |
|--------------------------------|-----------------------------|
| 2021 | \$ 1,041,590 |
| 2022 | 1,041,590 |
| 2023 | 1,062,422 |
| 2024 | 1,083,671 |
| 2025 | 1,105,464 |
| Thereafter | <u>13,719,629</u> |
| | <u><u>\$ 19,054,366</u></u> |

RMHCK entered into a mortgage loan agreement with RMHCK Real Estate, LLC whereby RMHCK agreed to loan up to \$19,560,527 to RMHCK Real Estate, LLC for construction purposes. The loan requires quarterly interest payments at a rate of 3.4% per annum through September 30, 2020, then quarterly payments based on the maturity date of February 20, 2049. As of December 31, 2020 and 2019, the outstanding balance on the loan was \$19,237,170 and \$17,463,986, respectively.

For financial reporting purposes, RMHCK continues to consolidate RMHCK Real Estate, LLC into its financial statements as RMHCK Real Estate Member, Inc. (wholly owned by RMHCK) is the managing member and has operational control of RMHCK Real Estate, LLC. The above leasing and lending activities are eliminated from the consolidated financial statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN

In response to the COVID-19 worldwide pandemic, in 2020, management applied for a Payroll Protection Program (“PPP”) loan under the CARES Act and in April 2020, a loan was made in the amount of \$161,900 (the “PPP Loan”) to pay for eligible costs. Pursuant to the loan agreement with the U.S. Small Business Administration, the PPP Loan bears interest at 1.00% with interest payments deferred for 6 months, and may be forgivable upon meeting the PPP’s criteria. Any unpaid balance of the PPP Loan is due in 2 years from the PPP Loan’s funding date. RMHCK expects the PPP Loan and all accrued interest to be completely forgiven and therefore has accounted for the PPP Loan as a grant pursuant to FASB ASC Topic 958-605.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through June 23, 2022, the date the consolidated financial statements were available to be issued.

On February 1, 2021, the PPP Loan (see Note 11) was forgiven, and as of that date, the balance of the loan is \$0.

On February 2, 2021, Enhanced Capital HTC Fund III, LLC made an additional capital contribution into RMHCK Real Estate, LLC of \$1,144,337.

NOTE 13 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 RMHCK’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 RMHCK’s consolidated financial statements.

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020

| ASSETS | Ronald McDonald House Charities of Kentuckiana, Inc. | RMHCK Real Estate, LLC | RMHCK Real Estate Member, Inc. | Eliminations | Consolidated |
|---------------------------------------|---|---------------------------|--------------------------------------|------------------------|----------------------|
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 1,053,729 | \$ 692,194 | \$ - | \$ - | \$ 1,745,923 |
| Accounts Receivable | 19,850 | - | - | - | 19,850 |
| Contributions Receivable, Net | 855,527 | - | - | - | 855,527 |
| Short-Term Investments | 1,764,436 | - | - | - | 1,764,436 |
| Prepaid Expenses | 39,600 | - | - | - | 39,600 |
| Inventories | 7,410 | - | - | - | 7,410 |
| Total Current Assets | <u>3,740,552</u> | <u>692,194</u> | <u>-</u> | <u>-</u> | <u>4,432,746</u> |
| NONCURRENT ASSETS | | | | | |
| Contributions Receivable, Net | 1,043,745 | - | - | - | 1,043,745 |
| Investments | 600,000 | - | - | - | 600,000 |
| Property and Equipment, Net | 858,055 | 19,107,647 | - | (107,932) | 19,857,770 |
| Other Assets | - | 32,965 | - | - | 32,965 |
| Mortgage Note Receivable | 19,237,170 | - | - | (19,237,170) | - |
| Investment in Subsidiary | 77,065 | - | 67,545 | (144,610) | - |
| Total Noncurrent Assets | <u>21,816,035</u> | <u>19,140,612</u> | <u>67,545</u> | <u>(19,489,712)</u> | <u>21,534,480</u> |
| Total Assets | <u>\$ 25,556,587</u> | <u>\$ 19,832,806</u> | <u>\$ 67,545</u> | <u>\$ (19,489,712)</u> | <u>\$ 25,967,226</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable and Accrued Expenses | \$ 166,229 | \$ 158,114 | \$ - | \$ - | \$ 324,343 |
| Total Current Liabilities | <u>166,229</u> | <u>158,114</u> | <u>-</u> | <u>-</u> | <u>324,343</u> |
| MORTGAGE NOTE PAYABLE | - | 19,237,170 | - | (19,237,170) | - |
| NET ASSETS | | | | | |
| Without Donor Restrictions | | | | | |
| Controlling Interest | 24,617,293 | 437,522 | 67,545 | (849,571) | 24,272,789 |
| Noncontrolling Interest | - | - | - | 597,029 | 597,029 |
| With Donor Restrictions | <u>773,065</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>773,065</u> |
| Total Net Assets | <u>25,390,358</u> | <u>437,522</u> | <u>67,545</u> | <u>(252,542)</u> | <u>25,642,883</u> |
| Total Liabilities and Net Assets | <u>\$ 25,556,587</u> | <u>\$ 19,832,806</u> | <u>\$ 67,545</u> | <u>\$ (19,489,712)</u> | <u>\$ 25,967,226</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

| | McDonald House Charities of Kentuckiana, Inc. | RMHCK Real Estate, LLC | RMHCK Real Estate Member, Inc. | Eliminations | Consolidated |
|---|--|---------------------------|--------------------------------------|---------------------|----------------------|
| WITHOUT DONOR RESTRICTIONS | | | | | |
| REVENUES AND OTHER SUPPORT | | | | | |
| Contributions | \$ 1,309,672 | \$ - | \$ - | \$ - | \$ 1,309,672 |
| Special Events Revenue | 595,258 | - | - | - | 595,258 |
| Room Donations | 180,918 | - | - | - | 180,918 |
| Interest Income | 533,333 | - | - | (533,333) | - |
| Other Income | 9,022 | 850,973 | (7,455) | (843,518) | 9,022 |
| Net Assets Released from Restrictions | 1,400,900 | - | - | - | 1,400,900 |
| Total Revenues and Other Support | <u>4,029,103</u> | <u>850,973</u> | <u>(7,455)</u> | <u>(1,376,851)</u> | <u>3,495,770</u> |
| EXPENSES | | | | | |
| Program Services | 2,172,108 | 1,043,468 | 2,065 | (1,384,306) | 1,833,335 |
| Cost of Direct Benefits to Donors | 147,299 | - | - | - | 147,299 |
| Management and General Administration | 299,911 | - | - | - | 299,911 |
| Fundraising | 303,231 | - | - | - | 303,231 |
| Total Expenses | <u>2,922,548</u> | <u>1,043,468</u> | <u>2,065</u> | <u>(1,384,306)</u> | <u>2,583,775</u> |
| CHANGE IN NET ASSETS FROM OPERATIONS | 1,106,555 | (192,495) | (9,520) | 7,455 | 911,995 |
| Investment Income, Net | <u>202,576</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>202,576</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 1,309,131 | (192,495) | (9,520) | 7,455 | 1,114,571 |
| WITH DONOR RESTRICTIONS | | | | | |
| REVENUES AND OTHER SUPPORT | | | | | |
| Contributions | 1,369,273 | - | - | - | 1,369,273 |
| Net Assets Released from Restrictions | (1,400,900) | - | - | - | (1,400,900) |
| Total Revenues and Other Support | <u>(31,627)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(31,627)</u> |
| Investment Income, Net | <u>87,556</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>87,556</u> |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | <u>55,929</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>55,929</u> |
| CONSOLIDATED CHANGE IN NET ASSETS | 1,365,060 | (192,495) | (9,520) | 7,455 | 1,170,500 |
| Less: Noncontrolling interest in RMHCK Real Estate, LLC loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>190,570</u> | <u>190,570</u> |
| CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST | 1,365,060 | (192,495) | (9,520) | 198,025 | 1,361,070 |
| NET ASSETS - BEGINNING OF YEAR | 24,025,299 | 39,647 | 75,000 | (257,932) | 23,882,014 |
| Contribution of assets from RMHCK | - | - | 2,065 | (2,065) | - |
| Contribution of capital from Enhanced Capital HTC Fund III | <u>-</u> | <u>590,370</u> | <u>-</u> | <u>(190,570)</u> | <u>399,800</u> |
| NET ASSETS - END OF YEAR | <u>\$ 25,390,359</u> | <u>\$ 437,522</u> | <u>\$ 67,545</u> | <u>\$ (252,542)</u> | <u>\$ 25,642,883</u> |

RONALD MCDONALD HOUSE CHARITIES OF KENTUCKIANA AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

| | Ronald McDonald House Charities of Kentuckiana, Inc. | RMHCK Real Estate, LLC | RMHCK Real Estate Member, Inc. | Eliminations | Consolidated |
|---|--|---------------------------|--------------------------------------|--------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Change in Net Assets | \$ 1,365,060 | \$ (192,495) | \$ (9,520) | \$ 7,455 | \$ 1,170,500 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Depreciation | 42,066 | 458,298 | - | - | 500,364 |
| Loss on Disposal of Prior Building Improvements | - | - | - | - | - |
| Net Realized and Unrealized Gains on Investments | (254,129) | - | - | - | (254,129) |
| Contributions Restricted for Long-Term Purposes | (1,369,273) | - | - | - | (1,369,273) |
| Changes in Discount of Pledges Receivable | 4,659 | - | - | - | 4,659 |
| Equity in Net (Income) Loss of Subsidiaries | - | - | 7,455 | (7,455) | - |
| (Income) Loss Attributed to Noncontrolling Interest | - | 190,570 | - | - | 190,570 |
| (Increase) Decrease in Assets: | | | | | |
| Accounts Receivable | 14,956 | - | - | - | 14,956 |
| Contributions Receivable | (413,679) | - | - | - | (413,679) |
| Inventories | (625) | - | - | - | (625) |
| Prepaid Expenses | (9,681) | - | - | - | (9,681) |
| Other Assets | - | 2,056 | - | - | 2,056 |
| Increase (Decrease) in Liabilities: | | | | | |
| Accounts Payable and Accrued Expenses | 202,801 | - | - | - | 202,801 |
| Net Cash Provided (Used) by Operating Activities | <u>(417,845)</u> | <u>458,429</u> | <u>(2,065)</u> | <u>-</u> | <u>38,519</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchases of Property and Equipment | (527,780) | (1,951,772) | - | - | (2,479,552) |
| Purchases of Investments | (1,477,617) | - | - | - | (1,477,617) |
| Proceeds from Sale of Investments | 3,607,772 | - | - | - | 3,607,772 |
| Net Cash Provided (Used) by Investing Activities | <u>1,602,375</u> | <u>(1,951,772)</u> | <u>-</u> | <u>-</u> | <u>(349,397)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Advances of (Payments on) Notes Payable | (1,773,184) | 1,773,184 | - | - | - |
| Capital Contributions | (2,065) | 399,800 | 2,065 | - | 399,800 |
| Contributions Restricted for Long-Term Purposes | 1,369,273 | - | - | - | 1,369,273 |
| Net Cash Provided (Used) by Financing Activities | <u>(405,976)</u> | <u>2,172,984</u> | <u>2,065</u> | <u>-</u> | <u>1,769,073</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 778,554 | 679,641 | - | - | 1,458,195 |
| Cash and Cash Equivalents - Beginning of Year | <u>275,175</u> | <u>12,553</u> | <u>-</u> | <u>-</u> | <u>287,728</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,053,729</u> | <u>\$ 692,194</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,745,923</u> |