RONALD MCDONALD HOUSE CHARITIES OF CENTRAL AND NORTHERN ARIZONA

YEAR ENDED DECEMBER 31, 2020

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL AND NORTHERN ARIZONA

YEAR ENDED DECEMBER 31, 2020

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Independent Auditors' Report

Board of Directors and Management
Ronald McDonald House Charities of Central and Northern Arizona
Phoenix, Arizona

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central and Northern Arizona which comprise the statement of financial position as of December 31, 2020, and the related 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

BeachFleischman PC • beachfleischman.com
1985 E. River Rd., Suite 201, Tucson, AZ 85718-7176 • 520.321.4600
2201 E. Camelback Rd., Suite 200, Phoenix, AZ 85016-3431 • 602.265.7011

Opinion

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

BeachFleischman PC

Phoenix, Arizona
June 24, 2021

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL AND NORTHERN ARIZONA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

Current assets:	
Cash and cash equivalents	$ 2,770,962
Accounts receivable	133,629
Investments	4,830,849
Promises to give, current portion	111,811
Prepaid expenses	53,490
Total current assets	7,900,741
Property and equipment, net	7,564,023
Promises to give, net of current portion	30,000
Beneficial interest in funds held by others	1,097,933
Endowments whose use is limited	536,949
Beneficial use of land	218,318
Total assets	$ 17,347,964

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 101,073
Accrued expenses	14,898
Total current liabilities	115,971
Total liabilities	115,971
Commitments and contingency	
Net assets:	
Without donor restrictions	16,388,650
With donor restrictions	843,343
Total net assets	17,231,993
Total liabilities and net assets	$ 17,347,964

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL AND NORTHERN ARIZONA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions	$ 1,919,842	$ 119,317	$ 2,039,159
Grants	613,448	-	613,448
Third-party reimbursements	451,988	-	451,988
In-kind contributions	764,436	-	764,436
Other income and support	18,692	40,385	59,077
Net assets released from restrictions	129,121	(129,121)	-
Total revenues and other support	3,897,527	30,581	3,928,108
Expenses:			
Program services	2,018,111	-	2,018,111
Management and general	333,851	-	333,851
Fundraising	756,643	-	756,643
Total expenses	3,108,605	-	3,108,605
Change in net assets from operations	788,922	30,581	819,503
Nonoperating activities:			
Investment income, net	537,374	29,125	566,499
Total nonoperating activities	537,374	29,125	566,499
Change in net assets	1,326,296	59,706	1,386,002
Net assets, beginning	15,062,354	783,637	15,845,991
Net assets, ending	$ 16,388,650	$ 843,343	$ 17,231,993

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL AND NORTHERN ARIZONA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program services	Management and general	Fundraising	Total expenses
Payroll	$ 729,648	$ 188,702	$ 339,664	$ 1,258,014
Employee benefits	73,021	18,885	33,992	125,898
Payroll taxes	59,172	15,303	27,545	102,020
Total salaries and related expenses	861,841	222,890	401,201	861,841
Advertising	-	365	145,590	145,955
Automobile	2,439	44	-	2,483
Cleaning services and supplies	25,450	-	-	25,450
Depreciation	477,509	8,581	18,676	504,766
Direct mail	-	-	73,880	73,880
Donor recognition	1,611	1,447	833	3,891
Family support services and supplies	145,673	-	-	145,673
Insurance	34,655	623	1,355	36,633
Linens and laundry	24,000	-	-	24,000
Maintenance and repairs	126,565	1,487	105	128,157
Meetings, education and training	2,015	9,813	949	12,777
Office supplies	15,658	4,049	7,289	26,996
Postage and courier	4,516	1,125	5,021	10,662
Printing and publishing	5,045	632	10,776	16,453
Professional fees	19,972	52,324	56,270	128,566
Rent	74,816	1,344	2,926	79,086
Technology	23,316	4,526	2,724	30,566
Telephone	22,406	5,795	10,430	38,631
Travel, meals and entertainment	-	3,789	67	3,856
Utilities	132,529	2,382	5,183	140,094
Volunteer resources and recognition	167	-	-	167
Other	17,928	12,635	13,368	43,931
Total expenses	$ 2,018,111	$ 333,851	$ 756,643	$ 3,108,605

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL AND NORTHERN ARIZONA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Change in net assets	$ 1,386,002
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(479,134)
Depreciation	504,767
Donated furniture and fixtures	(458,825)
Change in value of beneficial use of land	(4,444)
Changes in operating assets and liabilities:	
Accounts receivable	93,873
Promises to give	135,787
Prepaid expenses	(2,134)
Accounts payable	61,410
Accrued expenses	(60,768)
Deferred support	(26,350)
Net adjustments	(235,818)
Net cash provided by operating activities	1,150,184
Cash flows from investing activities:	
Purchases of investments	(631,633)
Proceeds from redemption of investments	492,984
Net cash used in investing activities	(138,649)
Net increase in cash and cash equivalents	1,011,535
Cash and cash equivalents, beginning	1,759,427
Cash and cash equivalents, ending	$ 2,770,962

See notes to financial statements.

1. Description of organization and summary of significant accounting policies:

Organization:

Ronald McDonald House Charities of Central and Northern Arizona (the Organization) is a nonprofit corporation operating in Arizona under a license agreement to RMHC Global. The mission of the Organization is to nurture the health and well-being of children and their families. In Central and Northern Arizona, the primary program is the Ronald McDonald House, which provides a home-away-from-home for families with critically ill children. The Organization's primary funding comes from public contributions. Therefore, the Organization's viability is dependent upon the strength and support of the national and local economies, the strength and support provided to the not-for-profit industry, the Organization's ability to collect on its contracts, and the impact of the COVID-19 pandemic.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.

Net assets:

Net assets, support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and capital reserves.

- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

1. Description of organization and summary of significant accounting policies (continued):

Adoption of new accounting standards:

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01)". ASU 2016-01 requires all investments be measured at fair value, clarified certain investment disclosures and provides prescribed measurement for equity investments without readily determinable fair values. Effective January 1, 2020, the Organization adopted ASU 2016-01 utilizing the retrospective method. There was no effect on net assets for any period presented related to the adoption.

Revenues and support:

Contributions are considered non-exchange transactions and are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenues from special events and third-party reimbursements are exchange transactions recognized at a point in time when the event or program service has occurred.

Support arising from donated goods and services is considered a non-exchange transaction and is recognized in the financial statements at its fair value. Donated services are recognized when the services received meet one of the following criteria:

(a) create or enhance nonfinancial assets
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

The Organization recorded contributed services and materials support and related expenses of $764,436, of which $458,824 was capitalized as property and equipment during the year ended December 31, 2020.

Transaction price:

For exchange transactions, the transaction price is the amount of consideration the Organization expects to be entitled to in exchange for transferring goods and services to the customer. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation.

1. Description of organization and summary of significant accounting policies (continued):

Revenues and support (continued):

Performance obligations:

Contracts that constitute exchange transactions are considered to contain a single performance obligation if the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable:

Accounts receivable consists principally of uncollateralized amounts due from third-party payors. The Organization considers amounts over 30 days to be past due. Receivable balances are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided. The balance in accounts receivable at January 1, 2020 was $201,589.

Promises to give:

Unconditional promises to give are recognized as revenues or gains at their estimated net realizable value in the period received and as assets, decreases of liabilities, or expense depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give, which are collectible over future periods, are discounted to their net present value. The Organization records an allowance when promises to give are considered doubtful. Promises to give are considered fully collectible by management at December 31, 2020.

Investments:

Investments are carried at fair value. Donated investments are recorded at fair value at the date of gift. Investment gains and losses are included in the changes in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements net of related investment fees. Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. Dividends and interest income are accrued when earned. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary.

1. Description of organization and summary of significant accounting policies (continued):

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and that the market participants are independent, knowledgeable, able and willing to transact an exchange. GAAP also clarifies that the reporting entity's nonperformance risk (credit risk) should be considered in valuing liabilities.

GAAP establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value for qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Property, equipment, and depreciation:

Property and equipment are stated at cost except for donated property, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to $1,000 and a useful life of more than one year is capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and building improvements	5 - 30 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years

Impairment of long-lived assets:

The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of the long-lived assets is less than the carrying amount, the asset is considered impaired. Impairment losses would be measured as the amount by which the carrying amount exceeds the fair value of the asset. There was no impairment of long-lived assets recognized for 2020.

1. Description of organization and summary of significant accounting policies (continued):

Beneficial interest in funds held by others:

The Organization measures the fair value of agency advised funds held at the Arizona Community Foundation (ACF) using the fair value of the underlying investment assets. Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. The fair value of investment securities is estimated based upon the last trade price on a national securities exchange or in the over-the-counter market. If no trade price is reported for the measurement date, the fair value is estimated based upon the current bid price at the close of business on the measurement date.

The ACF, on behalf of the Organization, invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect these investment balances and the amounts reported in the accompanying financial statements.

ACF does not have variance power over the funds. The balance in this fund was $1,634,882 at December 31, 2020.

Endowments:

The Organization's endowments consist of funds established under either donor restriction or as designated by the Board of Directors for operating purposes. As required by GAAP, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. The endowments are held and managed at the ACF and are comprised of agency advised funds. Agency advised funds represent assets transferred by the Organization to the ACF to establish an endowment for the benefit of the Ronald McDonald House Charities of Central and Northern Arizona (i.e., the Organization has specified themselves as the beneficiary).

The Board of Directors of the Organization have 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, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

1. Description of organization and summary of significant accounting policies (continued):

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, insurance, rent, and utilities, which are allocated on a square footage basis, as well as payroll, employee benefits and payroll taxes, which are allocated on the basis of estimates of time and effort.

Advertising:

Advertising costs are expensed as incurred.

Income taxes:

The Organization is exempt from income taxes under both Federal Internal Revenue Code Section §501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under Internal Revenue Code Section §509(a)(1). Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which are classified as general and administrative expenses if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to December 31, 2020 through June 24, 2021, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

Reclassification:

Beginning cash and cash equivalents has been reclassified in order to conform to the 2020 financial statement presentation. The reclassification had no effect on net assets at December 31, 2019 or on the change in net assets for the year then ended.

2. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

2. Liquidity and availability of financial assets (continued):

Cash and cash equivalents	$ 2,770,962
Accounts receivable	133,629
Promises to give	141,811
Investments	6,465,731
Total financial assets	9,512,133
Promises to give scheduled to be collected in more than one year	(30,000)
Donor-imposed restrictions:	
Endowment funds	(536,949)
Other donor restrictions	(88,076)
Board designations:	
Operating reserves	(1,097,933)
Capital reserves	(230,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,529,175

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

3. Investments:

Fixed income securities	$ 1,710,531
U.S. equities	2,716,301
International equities	404,017
	4,830,849
Beneficial interest in funds held by others	1,634,882
Total investments at fair value	6,465,731
Less endowments whose use is limited:	
Endowments included in beneficial interest in funds held by others	536,949
	$ 5,928,782

3. Investments (continued):

Net investment income for the year ended December 31, 2020 is as follows:

Interest and dividends	$ 113,334
Net realized and unrealized gains on investments	479,134
Investment fees	(25,969)
	$ 566,499

4. Fair value measurements:

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

Investments at level 1:	
Fixed income securities	$ 1,710,531
U.S. equities	2,716,301
International equities	404,017
Investments measured at level 3:	
Beneficial interest in funds held by others	1,634,882
	$ 6,465,731

The preceding table is based on the following hierarchy of observable independent market inputs and unobservable market assumptions:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets or active markets that the Organization does not have access to;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

4. Fair value measurements (continued):

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the level 1 investments above have been measured on a recurring basis using the market approach and priced based on quoted market information.

The beneficial interest in funds held at ACF are classified within Level 3 of the fair value hierarchy due to the lack of a market in which the Organization's units of participation in the Foundation's long-term pool (i.e., the beneficial interest) could be bought or sold. The Organization measures the fair value of its beneficial interest using the fair value of the underlying assets.

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable value reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from January 1, 2020 to December 31, 2020 is as follows:

	2020
Beginning balance	$ 1,613,003
Investment activity	88,679
Withdrawals	(66,800)
Ending balance	$ 1,634,882

5. Property and equipment:

Buildings and building improvements	$ 11,963,219
Furniture and fixtures	665,235
Land	636,182
Vehicles	33,489
	13,298,125
Less accumulated depreciation	5,734,102
	$ 7,564,023

6. Beneficial use of land:

The Organization is leasing property consisting of land and a building for two of their current facilities. The lease terms are 99 years at an annual rental of $1. The total fair market value of the land and building at inception was approximately $3,588,000. Contribution revenue is recorded annually as donor restricted support to reflect the use restriction of the land to the operation of the Ronald McDonald House over the 99-year lease terms. The Organization recognized $40,385 as donor restricted support for the year ending 2020 and recorded the funds as additions to net assets with donor restrictions. Total annual rent expense for the two leases is $36,250 and is recorded as a release of donor restricted net assets and an addition of net assets without donor restrictions. As of December 31, 2020, the balance of donated land use lease is $218,318.

7. Paycheck Protection Program (PPP) loan:

The Organization obtained a $316,400 loan from Johnson Bank under the Paycheck Protection Program (PPP) in April 2020. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Organization applied for forgiveness with the lender in January 2021 and received forgiveness of $316,400 from the Small Business Administration (SBA) in January 2021. The amount of loan forgiveness is presented as a grant on the statement of activities.

The Organization accounts for the PPP loan as a conditional contribution in accordance with ASC 958-605. The contribution is conditional based on the Organization incurring covered expenses, maintaining employee count, and limiting salary reductions. During the year ended December 31, 2020, $316,400 was recognized as support based on the assessment of conditions that have been met.

Subsequent to December 31, 2020, the Organization obtained a second PPP loan of $200,000 from First Fidelity Bank under the PPP.

8. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Santa's Workshop	$ 20,103
Adopt-a-Room	63,088
Dinnertime Heros	4,885
	88,076
Subject to the passage of time:	
Land lease	218,318
	306,394
Endowments:	
Subject to the Organization's endowment spending policy and appropriation:	
Restricted by donors for:	
Operating purposes	536,949
	$ 843,343

9. Endowments:

The Organization's endowments are held in the Ronald McDonald House Charities Fund (the Fund) established with the ACF. The Fund is comprised of board designated (quasi-endowment) funds and donor restricted endowment funds. The primary purpose for investment earnings is to provide additional funding for operations, excluding capital purchases. Funds established at ACF are subject to ACF's variance power.

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 1,083,240	$ 529,763	$ 1,613,003
Investment return, net	59,554	29,125	88,679
Appropriations	(44,861)	(21,939)	(66,800)
	$ 1,097,933	$ 536,949	$ 1,634,882

Funds with deficiencies:

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2020, there were no deficiencies of this nature.

9. Endowments (continued):

Return objectives, risk parameters and spending policy:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating purposes supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. The Organization current spending policy states that an annual distribution is issued to the Organization consisting of 4.5% of the average quarterly value of investments over the previous 12 months. Endowment assets include those assets of board designated funds and donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested with a growth and income style of investing in a portfolio comprised of cash, fixed income securities, and equities. Investment income is appropriated for expenditure in the year earned, and is, therefore, included in net assets without donor restrictions.

The Organization is also subject to the ACF's investment and spending policies for endowment assets. These policies attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to preserve the purchasing power and achieve long-term growth of capital of the endowment assets. The endowment assets are invested in a manner that is intended to achieve long-term (10+ years) absolute returns in excess of inflation, investment expenses, and spending. To achieve its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The recommended distribution rate for endowed funds and voluntary guidance for non-endowed funds will be based on the nominal return projection for the ACF's long-term diversified pool, net of expected inflation and expenses. The Organization's policy is to approve for spending the entire amount distributed by the ACF. Accumulated earnings on this endowment are released from board designated or donor restricted net assets when distributed by the ACF.

10. Net assets without donor restrictions:

Net assets without donor restrictions at December 31, 2020 is as follows:

Undesignated	$ 7,496,694
Investment in property and equipment, net	7,564,023
Board designated:	
Reserve for operations	1,097,933
Capital reserve study	230,000
	$ 16,388,650

11. Operating leases:

The Organization leases office equipment under operating leases that expire in February 2024 and a lodging facility on a month-to-month basis. At December 31, 2020, aggregate minimum monthly rental payments were $798. Rent expense for office equipment and lodging facility for the year ended December 31, 2020 was $54,396. See note 6 for rent expense related to beneficial use of land.

Future minimum lease payments under operating leases are as follows:

Year ending December 31,	
2021	$ 27,303
2022	17,596
2023	6,166
2024	1,028
	$ 52,093

12. Donated property, goods, and services:

The following donated property, goods, and services were primarily utilized in the Organization's program services:

	2020
Advertising	$ 141,175
Travel, meals, and entertainment	2,880
Linens and laundry	24,000
Family support services & supplies	114,457
Utilities	23,100
Furniture and fixtures	425,336
Vehicles	33,488
	$ 764,436

13. Retirement plan:

The Organization maintains a 401(k) plan (the Plan) covering all employees who have completed over one year of continuous employment. Participants can elect to make limited salary deferral contributions and the Organization matches employee contributions to the Plan up to 4% of the eligible employee's salary. Contributions to the Plan for the year ended December 31, 2020 were $27,990.

14. Related party transactions:

During the year ended December 31, 2020, the Organization paid $86,806 for commercial cleaning and legal services to companies that are owned and/or operated by two board members.

15. Contingency:

Litigation:

From time to time, the Organization may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the Organization's financial statements.

16. Concentrations:

For the year ended December 31, 2020, two third-party payors comprised 67% of total accounts receivable.

17. Pending pronouncement:

In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the effect that this standard will have on the financial statements.