

***Ronald McDonald House Charities
of Norfolk, Virginia, Inc.***

***Financial Statements
December 31, 2019 and 2018***

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

*Financial Statements
December 31, 2019 and 2018*

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W.C. GOLDBERG & COMPANY
CPA S AND CONSULTANTS

Independent Auditors' Report

The Board of Directors
Ronald McDonald House Charities of Norfolk, Virginia, Inc.
Norfolk, Virginia

We have audited the accompanying financial statements of *Ronald McDonald House Charities of Norfolk, Virginia, Inc.* (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Ronald McDonald House Charities of Norfolk Virginia, Inc.* as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

W. C. Goldberg & Company, PC

September 2, 2020

Virginia Beach, VA

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 69,100	\$ 105,511
Short-term investments	203,911	199,777
Total Current Assets	<u>273,011</u>	<u>305,288</u>
Noncurrent Assets		
Property and equipment, net	835,920	894,597
Investments	4,385,983	3,715,597
Total Noncurrent Assets	<u>5,221,903</u>	<u>4,610,194</u>
Total Assets	<u>\$ 5,494,914</u>	<u>\$ 4,915,482</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,357	\$ 19,050
Accrued expenses	12,677	23,336
Payroll taxes payable	625	4,980
Total Current Liabilities	<u>16,659</u>	<u>47,366</u>
Net Assets		
Without donor restrictions	<u>5,478,255</u>	<u>4,871,116</u>
Total Net Assets	<u>5,478,255</u>	<u>4,871,116</u>
Total Liabilities and Net Assets	<u>\$ 5,494,914</u>	<u>\$ 4,918,482</u>

See Accompanying Notes to Financial Statements

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

***Statement of Activities and Net Assets
For the Year Ended December 31, 2019***

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 289,233	\$ 50,000	\$ 339,233
Special Events	102,901	.	102,901
Fundraising	125,233	-	125,233
Registration	8,435	-	8,435
Miscellaneous	2,950	-	2,950
Vending machines	3,000	-	3,000
Net assets released from restriction	50,000	(50,000)	-
Total revenues and other support	581,752	-	581,752
Expenses			
Program services	554,035	-	554,035
Management and general administration	24,468	-	24,468
Fundraising	37,938	-	37,938
Cost of direct benefit to donors	27,650	-	27,650
Total expenses	644,090	-	644,090
Change in net assets from operations	(62,338)	-	(62,338)
Net investment income	674,528	-	674,528
Change in net assets	612,190	-	612,190
Net assets, beginning of year	4,871,116	-	4,871,116
Reserve for replacements	(5,051)	-	(5,051)
Net assets, end of year	\$ 5,478,255	\$ -	\$ 5,478,255

See Accompanying Notes to Financial Statements

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

*Statement of Activities and Net Assets
For the Year Ended December 31, 2018*

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 383,188	\$	\$ 383,188
Special Events	88,048	-	88,048
Fundraising	81,114	-	81,114
Registration	14,272	-	14,272
Miscellaneous	458	-	458
Vending machines	(4,549)	-	(4,549)
Net assets released from restriction	6,609	(6,609)	-
Total revenues and other support	569,140	(6,609)	562,531
Expenses			
Program services	548,543	-	548,543
Management and general administration	40,238	-	40,238
Fundraising	23,870	-	23,870
Cost of direct benefit to donors	24,662	-	24,662
Total expenses	637,313	-	637,313
Change in net assets from operations	(68,173)	(6,609)	(74,782)
Net investment income	(91,649)	-	(91,649)
Change in net assets	(159,822)	(6,609)	(166,431)
Net assets, beginning of year	5,024,441	6,609	5,031,050
Reserve for replacements	6,497	-	6,497
Net assets, end of year	\$ 4,871,116	\$ -	\$ 4,871,116

See Accompanying Notes to Financial Statements

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Program Services Ronald McDonald House	Management & General Administration	Fundraising	Cost of Direct Benefit to Donors	2019 Total
Salaries and wages	\$ 185,251	\$ 11,847	\$ 18,310	\$ -	\$ 215,408
Payroll taxes	16,648	543	905	-	18,096
Retirement plan	11,663	380	634	-	12,677
	<u>213,562</u>	<u>12,770</u>	<u>19,849</u>	<u>-</u>	<u>246,181</u>
Depreciation	57,291	1,386	-	-	58,677
Fundraising	-	-	17,033	27,650	44,683
Contract labor	42,120	-	-	-	42,120
Security	45,523	-	-	-	45,523
Repairs and maintenance	37,480	765	-	-	38,245
Insurance	35,318	721	-	-	36,039
Utilities and telephone	33,541	685	-	-	34,226
Service contracts	31,179	-	-	-	31,179
Supplies	16,612	-	-	-	16,612
Promotions and gift	15,228	-	-	-	15,228
Communications	10,557	918	-	-	11,475
Accounting and legal	-	6,750	-	-	6,750
Office expense	5,438	473	-	-	5,911
Miscellaneous	5,354	-	-	-	5,354
Bank charges	3,710	-	-	-	3,710
Program expense	2,539	-	-	-	2,539
Travel and entertainment	1,770	-	-	-	1,770
Postage	-	-	1,056	-	1,056
Conference and education	970	-	-	-	970
Dues	510	-	-	-	510
Taxes and license	385	-	-	-	385
Replacements	(5,053)	-	-	-	(5,053)
Volunteer appreciation	-	-	-	-	-
Total expenses	<u>\$ 554,035</u>	<u>\$ 24,468</u>	<u>\$ 37,938</u>	<u>\$ 27,650</u>	<u>\$ 644,090</u>

See Accompanying Notes to Financial Statements

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services Ronald McDonald House	Management & General Administration	Fundraising	Cost of Direct Benefit to Donors	2018 Total
Salaries and wages	\$ 184,807	\$ 10,267	\$ 10,267	\$ -	\$ 205,341
Payroll taxes	14,444	789	789	-	16,022
Employee benefits	19,318	1,017	-	-	20,335
	218,569	12,073	11,056	-	241,698
Depreciation	47,851	2,518	-	-	50,369
Contract labor	42,170	-	-	-	42,170
Security	46,807	-	-	-	46,807
Insurance	41,665	-	-	-	41,665
Fundraising	-	-	11,448	24,662	36,110
Service contracts	30,398	-	-	-	30,398
Utilities and telephone	27,364	1,439	-	-	28,803
Supplies	21,748	-	-	-	21,748
Accounting and legal	-	21,418	-	-	21,418
Promotions and gift	17,298	-	-	-	17,298
Repairs and maintenance	13,984	736	-	-	14,720
Conference and education	7,760	-	-	-	7,760
Postage	7,413	-	-	-	7,413
Replacements	6,173	324	-	-	6,497
Printing	6,249	-	-	-	6,249
Office expense	5,546	616	-	-	6,162
Communications	2,694	-	-	-	2,694
Travel and entertainment	343	1,114	1,114	-	2,571
Bank charges	2,268	-	252	-	2,520
Miscellaneous	1,365	-	-	-	1,365
Dues	847	-	-	-	847
Volunteer appreciation	31	-	-	-	31
Total expenses	\$ 548,543	\$ 40,238	\$ 23,870	\$ 24,662	\$ 637,313

See Accompanying Notes to Financial Statements

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 612,191	\$ (166,431)
Adjustments to reconcile change in net assets to cash provided in (used) operating activities-		
Depreciation and related reserve	63,730	56,865
Unrealized (gains) losses on investments	(504,189)	279,229
Realized (gains) losses on investments	(3,073)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	-	14,000
Increase (decrease) in accounts payable	(15,694)	15,861
Increase (decrease) in accrued expenses	(10,659)	20,336
Increase (decrease) in payroll taxes payable	(4,355)	(1,007)
Net cash flows provided (used) by operating activities	<u>137,951</u>	<u>218,853</u>
Cash Flows from Investing Activities		
Purchase of investments and reinvestment of income	(177,435)	(74,220)
Changes in certificates of deposits	-	-
Sale of investments	3,073	-
Purchase of property and equipment and related reserve	-	(138,502)
Net cash flows provided (used) by investing activities	<u>(174,362)</u>	<u>(212,722)</u>
Increase (decrease) in cash and cash equivalents	(36,411)	6,131
Cash and cash equivalents, beginning of year	<u>105,511</u>	<u>99,380</u>
Cash and cash equivalents, end of year	<u>\$ 69,100</u>	<u>\$ 105,511</u>

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Nature of activities

The Ronald McDonald House Charities on Norfolk, Virginia (the Organization), is a nonprofit organization that provides temporary housing and other assistance for critically and seriously ill children and their families during periods when the children are undergoing treatment at Children's Hospital of the King's Daughters, Norfolk, Virginia. The Organization also raises funds to provide grants to other

Measure of operations

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

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restriction 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.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Use of estimates

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

Investments and fair value measurement

The Organization follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

(continued)

Organization and Significant Accounting Policies (continued)

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical instruments in an active market that the entity has the ability to access. Level 2 inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for similar or identical assets or liabilities in active markets; 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 specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with 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:

Property and equipment

Property and equipment are recorded at cost and depreciation is calculated using the Modified Accelerated Cost Recovery System and straight-line methods based over the following useful lives ranging from 5 to 39 years. Additions or betterments of \$500 or more are capitalized, while repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed currently.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2019 and 2018, management determined that no impairment loss needs to be recognized.

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 restriction 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 donated assets are to be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies net assets with donor restriction to net assets without donor restriction. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skill, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

(continued)

Organization and Significant Accounting Policies (continued)

Reserve for replacements

The Corporation is accumulating funds in the reserve for replacements based on estimates of future needs for repairs and replacements of property. The funding for such repairs and replacements is over the estimated useful lives based on current placement costs. Actual expenditures, however, may vary from the estimated amounts and variations may be material. The funds are temporarily restricted and amounted to \$69,639 and \$74,691 for the years ended December 31, 2019 and 2018.

Income taxes

The Corporation is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Corporation's tax-exempt purpose will be subject to taxation as unrelated business income.

The Corporation follows the statutory requirements for its income tax and accounting and generally avoids risks associated with tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Corporation's tax-exempt status would not have a material effect on the financial statements. Generally, the organizations tax returns remain open for federal income tax examination for three years from the date of filing.

Financial instruments and credit risk

The carrying amounts approximate fair value based on quoted market prices or discounted cash flows analysis for cash equivalents and other financial instruments. The Corporation is subject to some credit risk through short term cash investments which are placed with high quality financial institutions. The balances in excess of federally insured or other insured limits were \$22,712 and \$54,989 at December 31, 2019 and 2018.

Functional expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: salaries and wages, employee benefits, and payroll taxes which are allocated on the basis of estimated time and effort; depreciation, utilities, repairs and maintenance, which are based on a square footage allocation; office expense, postage, and travel and entertainment which are estimates of usage.

Reclassifications

Certain amounts have been reclassified for the year end December 31, 2018 to conform to the presentation for the year ended December 31, 2019. The reclassifications had no impact on previously reported net assets.

(continued)

Organization and Significant Accounting Policies (concluded)

Net assets

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

Without Donor Restriction- Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restriction, net assets from reserve for replacements and board designated endowment.

With Donor Restriction- 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.

Contributions

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

Liquidity and reserves

The Organization has \$273,011 and \$305,288 of financial assets, as of December 31, 2019 and 2018, respectively, available to meet cash needs for general expenditures within on year of the statement of financial position date, which consist of the current assets per the statement of financial position. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are on average, approximately \$96,720 and \$99,246 as of December 31, 2019 and 2018, respectively.

Note 2. Short-Term Investments

Short term investments consist of certificates of deposits earning interest at rates of 1.49% to 2.23% with varying maturity dates.

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Notes to Financial Statements

Note 3. Endowment Funds

The Organization's endowment consists of restricted assets of 10,000 shares of Ronald McDonald stock donated in 1993 by Mrs. Kroc and recorded at its fair value.

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

- 1 The duration and preservation of the fund
- 2 The purpose of the Organization and the donor-restricted endowment fund
- 3 General economic conditions
- 4 The possible effect of inflation and deflation
- 5 The expected total return from income and the appreciation of investments
- 6 Other resources of the Organization
- 7 The investment policies of the Organization

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	28,380	-	28,380
Appropriation of expenditure	(28,380)	-	(28,380)
Endowment net assets, end of year	\$ 513,750	\$ -	\$ 513,750

Changes in endowment net assets and type of fund were as follows for fiscal year end as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	25,140	-	25,140
Appropriation of expenditure	(25,140)	-	(25,140)
Endowment net assets, end of year	\$ 513,750	\$ -	\$ 513,750

(continued)

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Notes to Financial Statements

Note 3. Endowment Funds (concluded)

Return Objectives and Risk Parameters

The Organization has adopted a investment and spending policies for the endowment assets that attempt to provide stream of funding to the programs supported by the endowments. The endowment assets are in the form of the original stock donated to the organization. The investment return in the form of earning and dividends are unrestricted for use of the Ronald McDonald House operations.

Note 4. Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restriction purpose or by occurrence of the passage of time or events specified by donor as follows for the year ended December 31:

	2019	2018
House renovations	\$ 50,000	\$ -
RMHC Grant	-	6,609
	<u>\$ 50,000</u>	<u>\$ 6,609</u>

Note 5. Net Assets Without Donor Restrictions

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

	2019	2018
Board-Designated Reserve	\$ 69,639	\$ 68,194
Board-Designated Endowment	513,750	513,750
	<u>\$ 583,389</u>	<u>\$ 581,944</u>

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Notes to Financial Statements

Note 6. Investments

Investments are stated at fair value and are summarized as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2019:				
Equity securities:				
U.S. Corporate	\$ 1,185,660	\$ -	\$ -	\$ 1,185,660
Cash and cash equivalents	231,283	-	-	231,283
Mutual Funds				
Domestic equity	2,243,354	-	-	2,243,354
International equity	717,786	-	-	717,786
Debt securities:				
U.S. Treasury	7,620	-	-	7,620
Asset backed	280	-	-	280
	<u>\$ 4,385,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,385,983</u>

December 31, 2018:				
Equity securities:				
U.S. Corporate	\$ 1,065,420	\$ -	\$ -	\$ 1,065,420
Cash and cash equivalents	198,421	-	-	198,421
Mutual Funds				
Domestic equity	1,730,343	-	-	1,730,343
International equity	713,582	-	-	713,582
Debt securities:				
U.S. Treasury	7,471	-	-	7,471
Asset backed	360	-	-	360
	<u>\$ 3,715,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,715,597</u>

Investment income consists of:	2019	2018
Interest and dividend income	95,399	82,217
Capital gains	71,868	105,363
Realized and unrealized gains (losses), net	507,261	(279,220)
	<u>\$ 674,528</u>	<u>\$ (91,640)</u>
Gross unrealized holding gains (losses)	<u>\$ 1,576,735</u>	<u>\$ 1,072,547</u>

Ronald McDonald House Charities of Norfolk, Virginia, Inc.

Notes to Financial Statements

Note 7. Property and Equipment

Property and equipment consist of:	2019	2018
Land	\$ 80,461	\$ 80,461
Buildings	1,244,051	1,244,051
Improvements	413,338	413,338
Furniture and fixtures	172,497	172,497
Equipment	74,425	74,425
Parking lot	21,021	21,021
	<u>2,005,794</u>	<u>2,005,794</u>
Accumulated depreciation	<u>(1,169,874)</u>	<u>(1,111,197)</u>
	<u>\$ 835,920</u>	<u>\$ 894,597</u>

Depreciation expense totaled \$58,677 and \$50,739 for the years ending December 31, 2019 and 2018.

Note 8. Employee Benefit Plans

In 1993, the organization started a SAR-SEP plan covering substantially all employees. Under the plan, the Organization annually contributes seven percent of employees' gross pay. Plan expenses incurred were \$20,335 and \$12,677 for the years ending December 31, 2019 and 2018, respectively.

Note 9. Donated Good and Services

The fair value of donated goods and services included as contributions in the financial statements and corresponding expense categories for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Professional fees	\$ 3,375	\$ 18,168
Service Contracts	10,800	10,000
Promotional	2,000	5,130
Utilities	3,670	-
Supplies	13,525	18,270
	<u>\$ 33,370</u>	<u>\$ 51,568</u>

Note 10. COVID-19

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization. Currently the outbreak has become increasingly widespread throughout the United States. The extent of the impact of the outbreak on the Company's financial performance will depend on certain developments, including the duration and spread of the outbreak, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

Notes to Financial Statements

Note 11. Change In Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, Accounting Guidance for Contributions Received and Made. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contributions is conditional. The implementation of this standard had no impact on the financial statements.

Note 12. Subsequent Event

Management has evaluated subsequent events through September 2, 2020, the date on which the financial statements were available to be issued. No events have occurred since the statement of financial position date that would have a material impact on the financial statements.