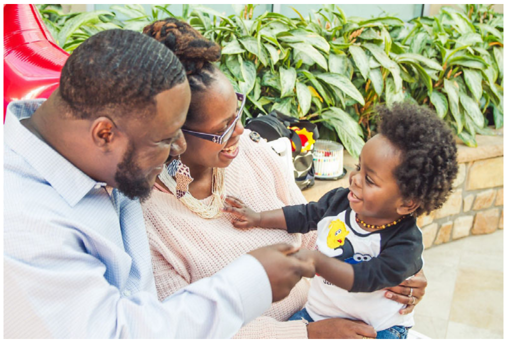
Ronald McDonald House Charities of Greater Cincinnati, Inc.

Financial Statements

December 31, 2019 and 2018

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ronald McDonald House Charities of Greater Cincinnati, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Cincinnati, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Greater Cincinnati, 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 accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 2, 2020

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	$ 2,074,971	1,050,019
Investment income receivable	139,315	260,927
Accounts receivable	302,187	-
Contributions receivable	1,232,000	3,810,198
Prepaid expenses and other assets	5,000	17,375
	3,753,473	5,138,519
Noncurrent assets:		
Contributions receivable, net	3,165,005	2,284,768
Cash surrender value of donated life insurance policies	130,168	131,198
Investments	45,669,535	53,927,723
Property and equipment, net	37,621,267	19,051,245
	86,585,975	75,394,934
Total assets	$ 90,339,448	80,533,453
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,018,982	899,069
Accrued expenses	78,546	51,894
	2,097,528	950,963
Net assets:		
Without donor restrictions	39,853,639	36,417,180
With donor restrictions	48,388,281	43,165,310
	88,241,920	79,582,490
Total liabilities and net assets	$ 90,339,448	80,533,453

See accompanying notes to the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	$ 3,137,604	5,787,063	8,924,667
Special events revenue	1,112,107	-	1,112,107
Room donations - guest families	133,521	-	133,521
Third party room reimbursements	199,150	-	199,150
Net assets release from restrictions	758,362	(758,362)	-
Total revenue and other support	5,340,744	5,028,701	10,369,445
Expenses:			
Program	4,586,613	-	4,586,613
Management and general	418,828	-	418,828
Fundraising	1,066,031	-	1,066,031
Cost of direct benefit to donors	198,732	-	198,732
Total expenses	6,270,204	-	6,270,204
Investment income, net	4,365,919	194,270	4,560,189
Change in net assets	3,436,459	5,222,971	8,659,430
Net assets at beginning of year	36,417,180	43,165,310	79,582,490
Net assets at end of year	$ 39,853,639	48,388,281	88,241,920

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	$ 2,594,266	23,266,635	25,860,901
Special events revenue	917,682	-	917,682
Room donations - guest families	131,223	-	131,223
Third party room reimbursements	126,424	-	126,424
Vending income	16,113	-	16,113
Net assets release from restrictions	660,428	(660,428)	-
Total revenue and other gains	4,446,136	22,606,207	27,052,343
Expenses:			
Program	3,573,659	-	3,573,659
Management and general	646,830	-	646,830
Fundraising	943,465	-	943,465
Cost of direct benefit to donors	144,650	-	144,650
Total expenses	5,308,604	-	5,308,604
Investment income, net	(580,328)	(45,412)	(625,740)
Change in net assets	(1,442,796)	22,560,795	21,117,999
Net assets at beginning of year	37,859,976	20,604,515	58,464,491
Net assets at end of year	$ 36,417,180	43,165,310	79,582,490

See accompanying notes to the financial statements.

	Program	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries and wages	$ 1,777,904	243,492	517,687	-	2,539,083
Payroll taxes	144,583	20,957	44,926	-	210,466
Benefits	223,501	38,409	71,414	-	333,324
Communications and development	74,453	1,654	258,963	-	335,070
Depreciation	590,202	4,207	3,420	-	597,829
Guest services	697,074	-	-	-	697,074
House supplies and food	391,129	1,829	2,030	-	394,988
Meetings, conventions, staff development	14,270	23,136	1,988	-	39,394
Office	321,848	50,198	85,717	-	457,763
Professional fees	77,791	34,946	2,909	-	115,646
Repairs and maintenance	248,303	-	-	-	248,303
Special events	-	-	76,977	198,732	275,709
Bad debt	25,555	-	-	-	25,555
	$ 4,586,613	418,828	1,066,031	198,732	6,270,204

	Program	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries and wages	$ 1,094,511	375,623	541,176	-	2,011,310
Payroll taxes	87,113	32,296	42,969	-	162,378
Benefits	157,147	60,305	81,322	-	298,774
Communications and development	43,167	19,374	114,031	-	176,572
Depreciation	578,440	-	-	-	578,440
Guest services	269,345	-	-	-	269,345
House supplies and food	724,525	2,538	-	-	727,063
Meetings, conventions, staff development	36,798	15,553	17,052	-	69,403
Office	120,646	82,045	34,336	-	237,027
Professional fees	-	59,096	-	-	59,096
Repairs and maintenance	428,217	-	-	-	428,217
Special events	-	-	112,579	144,650	257,229
Bad debt	33,750	-	-	-	33,750
	$ 3,573,659	646,830	943,465	144,650	5,308,604

See accompanying notes to the financial statements.

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	8,659,430	21,117,999
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		597,829	578,440
Change in unamortized discount of pledges due in more than one year		77,110	(11,841)
Bad debt expense		25,555	33,750
Realized gains on sale of investments		(1,708,445)	(774,741)
Unrealized (gains) loss on investments		(1,653,222)	2,652,530
Contributions restricted for capital expansion		(5,745,013)	(22,480,223)
Contributions restricted for endowment		(95,807)	(195,032)
Donated stock		(299,311)	(1,983,422)
Donated fixed assets		(70,000)	-
Effects of change in operating assets and liabilities:			
Investment income receivable		121,612	(234,014)
Accounts receivable		(302,187)	-
Contributions receivable		1,595,296	(2,923,857)
Prepaid expenses and other assets		12,375	28,201
Cash surrender value of donated life insurance policies		1,030	(2,665)
Accounts payable and accrued expenses		(608,853)	(46,673)
Net cash used by operating activities		607,399	(4,241,548)
Cash flows from investing activities:			
Proceeds from sale of investments		145,236,024	63,193,704
Purchases of investments		(133,316,858)	(75,933,013)
Purchases of property and equipment		(17,342,433)	(5,464,045)
Net cash used by investing activities		(5,423,267)	(18,203,354)
Cash flows from financing activities:			
Contributions restricted for capital expansion		5,745,013	22,480,223
Contributions restricted for endowment		95,807	195,032
Net cash provided by financing activities		5,840,820	22,675,255
Increase in cash and cash equivalents		1,024,952	230,353
Cash and cash equivalents - beginning of year		1,050,019	819,666
Cash and cash equivalents - end of year	$	2,074,971	1,050,019
Noncash transactions:			
Fixed assets purchases included in accounts payable	$	1,755,418	802,351
Donated fixed assets	$	70,000	-

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Ronald McDonald House Charities of Greater Cincinnati, Inc. (the "Organization") are set forth to facilitate the understanding of data presented in the financial statements:

Nature of operations
The Organization is an Ohio not-for-profit corporation, incorporated in 1979. The Organization offers a community of compassion, support and the comforts of home to families with critically ill children, steps away from the medical care they need. In order to provide these essential services, the Organization solicits contributions from the general public.

Adoption of new accounting standard
On January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The majority of the Organization's revenues come from contributions and grants, that are outside the scope of ASC 606. Services within the scope of ASC 606 include third party room reimbursements paid to the Organization.

The Organization adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

On January 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional.

Financial statement presentation
The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

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

Accounts receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization has deemed all accounts receivable to be collectible as of December 31, 2019 and 2018.

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.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made. Management believes the contributions receivable are collectible and an allowance is not necessary at December 31, 2019 and 2018. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense. Write-offs in 2019 and 2018 amounted to $25,555 and $33,750, respectively.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

Investments
The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses, interest and dividend income netted against investment expenses are reported in the statements of activities as investment income (loss), net. Realized gains and losses on sale of investments are the difference between the proceeds received and the specific cost of the investments sold.

Unrealized gain or loss is the net change in the difference between the aggregate fair value and the cost of the investments held at the beginning and end of the reporting periods.

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

The Organization holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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 $5,000 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:

Building and improvements	30 – 40 Years
Office furniture and equipment	5 – 7 Years
Vehicles	5 Years
Landscaping	15 Years

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 contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

No amounts have been reflected in the statements for donor volunteer time where there is no objective basis available to measure the value of such services. As a result, these services do not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time in the Organization’s House operations and fundraising activities. The Organization receives more than 80,000 volunteer hours per year.

Revenue recognition
Contributions are recognized as revenue in the period the unconditional promise is made. Conditional promises are recorded as revenue when the conditions are met. Contributions, grants, and bequests are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Room donations are recognized when received. Investment income is recognized when earned.

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and are billed based on a negotiated rate based on the Organization's average cost per night of providing housing to guest families. Revenue is considered to be earned and is recognized over a period of time when the performance obligation is met.

Allocation of functional expenses
The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Expenses are directly applied when applicable, the following expenses include allocated expenses based on a periodic time study performed by management: salaries and wages, payroll taxes, benefits, communications and development, meetings, conventions, office and professional fees. Depreciation and building expenses include allocated expenses based on square footage.

Income tax status
The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Management does not believe the Organization does not have any unrelated business income tax due.

Subsequent events
The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 2, 2020, the date on which the financial statements were available to be issued.

During 2020, the Organization withdrew $4,500,000 from its investment funds in support of the renovation currently ongoing at its facility. In addition, the effects of the pandemic resulting from the novel coronavirus, known as COVID-19, has had significant effects on all aspects of the economy, including significant declines in stock market indices. As a result of these withdrawals and declines, the value of its investments declined from $45,669,535 as of December 31, 2019, to $36,882,778 as of April 2, 2020.

Reclassifications
Certain amounts have been reclassified for the year ended 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.

2. CONTRIBUTIONS RECEIVABLE:

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

	2019	2018
Due within one year	$ 1,232,000	3,810,198
Due within two - five years	2,515,414	2,358,067
Thereafter	800,000	-
Less unamortized discount – annual rates from 1.47%-1.98%	(150,409)	(73,299)
	$ 4,397,005	6,094,966

3. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on cash equivalents (cash management funds), mutual and exchange traded funds and equity securities are based on the Level 1 market approach.

The following tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2019 and 2018.

Fair Value Measurements at Reporting Date Using

	Fair Value	Level 1	Level 2	Level 3
December 31, 2019				
Cash management fund	$ 12,379,801	12,379,801	-	-
Fixed income funds	17,510,355	17,510,355	-	-
Equity securities	15,779,379	15,779,379	-	-
	$ 45,669,535	45,669,535	-	-
December 31, 2018				
Cash management fund	$ 9,304,910	9,304,910	-	-
Mutual funds:				
Bonds	33,594,481	33,594,481	-	-
Equities	637,540	637,540	-	-
Exchange traded funds	3,351,546	3,351,546	-	-
Equity securities	7,039,246	7,039,246	-	-
	$ 53,927,723	53,927,723	-	-

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31:

	2019	2018
Buildings	$16,521,895	16,475,489
Equipment and furnishings	1,944,133	1,990,541
	18,466,028	18,466,030
Less accumulated depreciation	7,872,311	7,274,482
	10,593,717	11,191,548
Land	1,474,454	1,474,454
Construction in progress	25,553,096	6,385,243
	$ 37,621,267	19,051,245

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2019	2018
Subject to expenditure for specific purpose:		
Capital campaign	$ 46,488,910	41,105,324
Welcome Home	600,000	800,000
Other	504,177	464,792
	47,593,087	42,370,116
Endowment held in perpetuity	795,194	795,194
Total net assets with donor restrictions:	$ 48,388,281	43,165,310

6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS:

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

		2019	2018
Purpose restrictions accomplished:			
Capital campaign	$	361,427	32,560
Welcome Home		200,000	200,000
Other		196,935	427,868
Total restrictions released	$	758,362	660,428

There were no assets released from donor restriction due to the passage of time during December 31, 2019 and 2018.

7. BOARD SELF-DESIGNATED ENDOWMENT FUND:

Generally accepted accounting principles require that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment consists of two funds established to provide income to operations. Its endowment includes both a donor-restricted and a board-designated fund.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The Organization utilizes a 20-calendar quarter look-back average for the determination of fair value of the restricted funds in calculating the 5% presumed prudent expenditure (inclusive of management fees and expenses). Any income or appreciation that is not expended or appropriated to assets without donor restrictions at the end of the calendar year remains in assets with donor restrictions. The Organization considers the following factors in making a determination to appropriate endowment funds with donor restrictions held in perpetuity in addition to the 5% rolling average described above: (1) the duration and preservation of the funds, (2) the purposes of the endowment funds held in perpetuity with donor restrictions, (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 Organization resources, and (7) the Organization's investment policies.

The Board of Trustees has resolved to commit all proceeds of all charitable planned and deferred gifts without donor restrictions to the Organization Self-Designated Endowment Fund to be administrated in accordance with the Organization's policy for such Fund, provided, however, that if a gift is transferred to the Organization with a use or other restriction designated by a donor, such donor designated use or restriction shall control and be honored. Charitable planned and deferred gifts shall include, but not be limited to, bequests, distributions from charitable remainder trusts and charitable lead trusts, proceeds from life insurance policies, distributions from retirement plan assets, proceeds from gift annuities and other deferred charitable gifts.

Endowment net asset composition by type of fund is as follows at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor – restricted endowment	$ -	1,116,791	1,116,791
Board – designated endowment	5,000,644	-	5,000,644
Total	$ 5,000,644	1,116,791	6,117,435

Endowment net asset composition by type of fund is as follows at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor – restricted endowment	$ -	954,521	954,521
Board – designated endowment	4,186,978	-	4,186,978
Total	$ 4,186,978	954,521	5,141,499

Changes in endowment net assets are as follows for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 4,186,978	954,521	5,141,499
Contributions	92,968	-	92,968
Investment income, net	857,920	194,270	1,052,190
Appropriation of endowment assets for expenditure	(137,222)	(32,000)	(169,222)
Endowment net assets at end of year	$ 5,000,644	1,116,791	6,117,435

Changes in endowment net assets are as follows for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 9,156,148	835,901	9,992,049
Contributions	407,451	195,032	602,483
Investment loss, net	(276,621)	(45,412)	(322,033)
Appropriation of endowment assets for expenditure	(5,100,000)	(31,000)	(5,131,000)
Endowment net assets at end of year	$ 4,186,978	954,521	5,141,499

Return objectives and risk parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indexes while assuming a moderate level of investment risk. The Organization expects its endowment funds, over a moving five-year period, to exceed the Consumer Price Index by 4.0%. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy
The Board of Trustees' Finance Committee has administrative responsibility to 1) receive contributions to the fund that are voluntarily designated by the Board, 2) manage and invest the Fund's assets pursuant to the Organization's investment policy and 3) make available to the Organization for its general charitable purposes an amount up to but not to exceed 5% (inclusive of management fees and expenses) of the average of the fair value of the Fund as of the close of the last business day of the twenty calendar quarters immediately preceding the year for which the expenditure is appropriated. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

8. CONTRIBUTIONS:

Contributions consist of the following at December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
2019:			
Contributions	$ 2,275,066	42,050	2,317,116
Capital projects	-	5,745,013	5,745,013
Donated goods and services (Note 9)	370,058	-	370,058
McDonald's store donation boxes	154,664	-	154,664
Realized planned giving	95,807	-	95,807
"Taste of Hope" meals program	242,009	-	242,009
	$ 3,137,604	5,787,063	8,924,667

	Without Donor Restrictions	With Donor Restrictions	Total
2018:			
Contributions	$ 1,314,454	1,251,226	2,565,680
Capital projects	-	22,015,409	22,015,409
Donated goods and services (Note 9)	434,823	-	434,823
McDonald's store donation boxes	195,263	-	195,263
Realized planned giving	423,682	-	423,682
"Taste of Hope" meals program	226,044	-	226,044
	$ 2,594,266	23,266,635	25,860,901

9. DONATED GOODS AND SERVICES:

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories consist of the following for the years ended December 31:

	2019	2018
House supplies/maintenance	$ 95,143	220,389
Food/Taste of Hope	120,116	156,543
Administrative/fundraising	77,299	46,586
Professional fees	7,500	11,305
Capital – furniture and fixtures	70,000	-
	$ 370,058	434,823

10. INVESTMENT INCOME - NET:

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

	2019	2018
Interest and dividend income	$ 1,319,636	1,325,864
Realized gain on sale of investments	1,708,445	774,741
Change in unrealized gain (loss) on investments	1,653,222	(2,652,530)
Less investment expenses	(121,114)	(73,815)
Investment income (loss), net	$ 4,560,189	(625,740)

11. RETIREMENT PLAN:

Effective December 22, 2008, the Organization adopted an Internal Revenue Code Section 403(b) Retirement Plan providing all eligible employees with employer contributions and employee elective deferrals under a salary reduction agreement. All employees are eligible to make elective deferrals; however, to be eligible for employer contributions, they must satisfy the applicable service requirements of one year of service (12 consecutive months of employment) and have been credited with at least 1,000 hours of service. The service requirement was waived for employees hired before January 1, 2009.

The Organization may contribute matching and nonelective contributions. At present, the Organization is matching employee elective deferrals dollar for dollar up to 5%. If an employee makes elective deferrals, the Organization will match regardless of service except for employees hired after January 1, 2009 who must meet the applicable service requirements. Matching payments for 2019 and 2018 totaled $74,318 and $60,894, respectively. Employees are always 100% vested in all amounts in their accounts.

12. TRANSACTIONS WITH RELATED ENTITIES:

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the license agreement also sets standards of operations for programs, governance, finance, branding, and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2019 and 2018, the Organization received $149,131 and $159,361, respectively, from these revenue streams.

13. CONCENTRATIONS:

Two donors accounted for approximately 29% of revenue and three donors accounted for approximately 72% of contributions receivable in 2019. These contributions are restricted for future expansion.

One donor accounted for approximately 50% of revenue and three donors accounted for approximately 76% of contributions receivable in 2018. This contribution is restricted for future expansion.

The concentration of revenue and contributions receivable in 2019 and 2018 is due primarily to a capital campaign that is raising funds for the construction of the new, adjacent building which is scheduled to open in June 2020.

14. LIQUIDITY DISCLOSURES:

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments. In addition, the Organization maintains an operating reserve that allows for annual spending of 5% of assets based on a rolling 20 calendar quarter average market value in addition to investment income and earnings, if needed. Approximately $750,000 of appropriations from the operating reserve will be available within the next 12 months.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

		2019	2018
Financial assets:			
Cash and cash equivalents	$	2,074,971	1,050,019
Investment income receivable		139,315	260,927
Accounts receivable		302,187	-
Current contributions receivable		1,232,000	3,810,198
Investments		45,669,535	53,927,723
Financial assets available at year-end		49,418,008	59,048,867
Less those unavailable for general expenditures within one year due to:			
Contributions receivable with purpose restrictions		965,731	3,420,188
Cash and investments with donor restrictions		23,270,965	37,784,601
Donor restricted endowment held in perpetuity		795,194	795,194
		25,031,890	41,999,983
Financial assets available to meet cash needs for general expenditures within one year	$	24,386,118	17,048,884

15. PURPOSE FOR ACCUMULATING FUNDS WITHOUT DONOR RESTRICTIONS:

Public support is vital to provide a “home away from home” for families with critically ill children, and annual donations are used as operating and program support primarily in the fiscal year in which they are received. However, the Organization continues to turn away over 1,800 families per year in their time of need. Thanks to the generosity of the community and because of significant estate gifts, the Organization is fortunate to have assets without donor restrictions make up almost six times its annual budget. These critical reserves are the essential foundation of the ability to serve more families beginning in 2020. As such, these reserves will help support the strategic expansion and the increased operating support which this expansion will entail. Construction on a new, adjacent building has begun and is scheduled to be occupied by June 2020.This new building will allow the Organization to more than double the number of families currently being served and will entail a significant increase in the operating budget which will be supported by these critical operating reserves.

16. RECENT ACCOUNTING PRONOUNCEMENT:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization’s year ending December 31, 2021.

The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.