

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

DRAFT

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.
Falls Church, Virginia

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 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.

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.

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 Washington, D.C., Inc. as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the entity adopted new accounting guidance contained in Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

Arlington, Virginia
REPORT DATE

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**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 279,892	\$ 387,091
Contributions Receivable	488,954	218,301
Accounts Receivable	22,836	17,866
Prepaid Expenses	23,405	32,559
Total Current Assets	815,087	655,817
RESTRICTED CASH	446,647	428,763
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	419,145	545,404
INVESTMENTS	11,353,764	13,078,300
BENEFICIAL USE OF LAND	58,323	-
PROPERTY AND EQUIPMENT		
Land and Improvements	1,801,824	1,801,824
Building and Improvements	7,868,405	7,834,612
Furniture and Equipment	979,652	944,776
Website	14,007	14,007
	10,663,888	10,595,219
Less: Accumulated Depreciation and Amortization	(2,964,088)	(2,720,463)
Total Property and Equipment	7,699,800	7,874,756
Total Assets	\$ 20,792,766	\$ 22,583,040
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 202,634	\$ 197,113
NET ASSETS		
Without Donor Restrictions		
Board Designated	8,101,305	8,374,756
Undesignated	9,124,579	11,089,357
Total Net Assets Without Donor Restrictions	17,225,884	19,464,113
With Donor Restrictions		
Time and Purpose Restrictions	2,023,747	1,581,313
Perpetual Restrictions	1,340,501	1,340,501
Total Net Assets With Donor Restrictions	3,364,248	2,921,814
Total Net Assets	20,590,132	22,385,927
Total Liabilities and Net Assets	\$ 20,792,766	\$ 22,583,040

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Contributions and Fundraising Events	592,215	-	\$ 592,215	\$ 355,595	\$ 437,532	\$ 793,127
Donations - Room Occupants	28,644	-	28,644	34,898	-	34,898
Other Donations	746,621	526,795	1,273,416	927,944	-	927,944
Donated Materials and Services	182,828	63,436	246,264	113,891	-	113,891
Special Events	87,881	-	87,881	103,745	-	103,745
Realized Gains on Sale of Investments	295,257	20,524	315,781	490,567	11,524	502,091
Unrealized (Loss) Gain on Investments	(1,086,058)	(37,023)	(1,123,081)	812,864	405,989	1,218,853
Interest and Dividends, Net of Fees	198,888	42,986	241,874	184,726	43,712	228,438
Other	123,763	-	123,763	105,520	-	105,520
Net Assets Released from Restrictions	174,284	(174,284)	-	767,310	(767,310)	-
Total Public Support and Revenue	<u>1,344,323</u>	<u>442,434</u>	<u>1,786,757</u>	<u>3,897,060</u>	<u>131,447</u>	<u>4,028,507</u>
EXPENSES						
Program Services	2,720,856	-	2,720,856	2,513,170	-	2,513,170
Management and General	435,800	-	435,800	296,662	-	296,662
Fundraising	425,896	-	425,896	547,798	-	547,798
Total Expenses	<u>3,582,552</u>	<u>-</u>	<u>3,582,552</u>	<u>3,357,630</u>	<u>-</u>	<u>3,357,630</u>
CHANGE IN NET ASSETS	(2,238,229)	442,434	(1,795,795)	539,430	131,447	670,877
NET ASSETS, BEGINNING OF YEAR	<u>19,464,113</u>	<u>2,921,814</u>	<u>22,385,927</u>	<u>18,924,683</u>	<u>2,790,367</u>	<u>21,715,050</u>
NET ASSETS, END OF YEAR	<u>\$ 17,225,884</u>	<u>\$ 3,364,248</u>	<u>\$ 20,590,132</u>	<u>\$ 19,464,113</u>	<u>\$ 2,921,814</u>	<u>\$ 22,385,927</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Total
Employee Costs	\$ 1,025,313	\$ 215,144	\$ 283,849	\$ 1,524,306
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	266,322	1,741	2,218	270,281
Professional Fees	136,118	196,044	13,385	345,547
Insurance	42,736	2,896	5,738	51,370
Supplies	133,802	9,068	17,966	160,836
Repairs and Maintenance	145,286	950	1,210	147,446
Printing, Mailing, and Postage	5,080	344	682	6,106
Utilities	79,327	518	661	80,506
Telecommunications	33,590	-	-	33,590
Travel and Meetings	19,751	-	-	19,751
Other	10,493	7,956	141	18,590
Other Outside Services	154,030	-	-	154,030
Family Transportation	14,078	-	-	14,078
Marketing and PR	193,666	1,106	98,987	293,759
Occupancy	11,264	33	1,059	12,356
	<u>\$ 2,720,856</u>	<u>\$ 435,800</u>	<u>\$ 425,896</u>	<u>\$ 3,582,552</u>
Total Expenses	<u>\$ 2,720,856</u>	<u>\$ 435,800</u>	<u>\$ 425,896</u>	<u>\$ 3,582,552</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Employee Costs	\$ 991,645	\$ 154,658	\$ 335,091	\$ 1,481,394
Grants and Family Assistance	450,000	-	-	450,000
Depreciation and Amortization	251,784	2,743	1,846	256,373
Professional Fees	83,861	122,849	10,852	217,562
Counterbox Expenses	-	-	77,055	77,055
Insurance	50,694	2,386	6,560	59,640
Supplies	62,752	2,953	8,121	73,826
Repairs and Maintenance	137,521	1,498	1,008	140,027
Printing, Mailing, and Postage	11,773	554	1,524	13,851
Utilities	69,058	752	506	70,316
Telecommunications	26,405	-	-	26,405
Travel and Meetings	25,279	-	-	25,279
Other	9,351	8,269	-	17,620
Other Outside Services	315,013	-	48,695	363,708
Family Transportation	1,232	-	-	1,232
Marketing and PR	25,168	-	40,650	65,818
Occupancy	1,634	-	15,890	17,524
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,513,170</u>	<u>\$ 296,662</u>	<u>\$ 547,798</u>	<u>\$ 3,357,630</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,795,795)	\$ 670,877
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	270,281	256,373
Amortization of Beneficial Use of Land	5,113	-
Donated Property and Equipment	-	(19,376)
Beneficial Use of Land	(63,436)	-
Realized Gain on Investments	(315,781)	(502,091)
Unrealized Loss (Gain) on Investments	1,123,081	(1,218,853)
(Increase) Decrease in Assets:		
Pledges and Contributions Receivable	(144,394)	101,194
Accounts Receivable	(4,970)	(12,846)
Prepaid Expenses	9,154	2,670
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	5,521	(22,509)
Net Cash Used by Operating Activities	(911,226)	(744,561)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(90,382)	(236,966)
Purchase of Investments	(3,038,498)	(2,722,814)
Proceeds from Sale of Investments	3,950,791	3,896,426
Net Cash Provided by Investing Activities	821,911	936,646
NET CHANGE IN CASH AND RESTRICTED CASH	(89,315)	192,085
Cash and Restricted Cash - Beginning of Year	815,854	623,769
CASH AND RESTRICTED CASH - END OF YEAR	\$ 726,539	\$ 815,854
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Property and Equipment	\$ -	\$ 19,376
Beneficial Use of Land	\$ 63,436	\$ -

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Greater Washington, D.C., Inc. (RMHC or the Organization) is a nonprofit 501(c)(3) organization whose purpose is to help relieve the burden of childhood illness on families through programs that directly improve the health and wellbeing of children. RMHC fulfills its mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times.

RMHC owns and operates, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), two Ronald McDonald Houses, located in Washington, D.C. and Northern Virginia. It also maintains three Ronald McDonald Family Rooms, located within Children's National Medical Center and Inova Children's Hospital, and supports two Ronald McDonald Care Mobiles in partnership with MedStar Georgetown University Hospital Kids Mobile Medical Clinic Program.

Basis of Accounting

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 restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Income Taxes

The Organization is exempt from federal income taxes on its exempt activities 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. The Internal Revenue Service determined that the Organization is not a private foundation.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Restricted Cash

Restricted cash consists of a 5-year, donor-restricted certificate of deposit (CD), the purpose of which will be specified by the donor once the pledge is paid in full. Interest earned on the CD is included in net assets with donor restriction.

In 2018, the Organization adopted Accounting Standards Update (ASU) 2016-18 *Statement of Cash Flows*, which requires that the statement of cash flows explain the change during the period in the total of cash and restricted cash. Therefore, restricted cash is included with cash when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This update has been retrospectively applied to 2017 as required by ASU 2016-18.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31:

	2018	2017
Cash and Cash Equivalents	\$ 279,892	\$ 387,091
Restricted Cash	446,647	428,763
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	\$ 726,539	\$ 815,854

Contributions Receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible. All receivables are deemed collectible by management at December 31, 2018 and 2017.

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses and income are included in the statements of activities.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

Property and Equipment

Purchases of furniture and equipment greater than \$1,000 are capitalized at cost. Donated assets are recorded at their estimated market value on the date of donation. Property and equipment are depreciated over estimated useful lives of three to forty-five years on a straight-line basis.

Net Assets

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

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for property and equipment and capital improvements.

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. The investment earnings on these net assets are reflected in the statements of activities as components of net assets with donor restrictions and released from restrictions as funds are expended for the restricted purposes.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Donated Assets and Services

Contributions of donated goods are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received and also recorded as an expense. However, no value is recorded for the services of unpaid volunteers who have made significant contributions of their time in all areas of operations.

Functional Allocation of 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: depreciation, repairs and maintenance, and utilities, which are allocated on a square footage basis; supplies, printing, mailing, and postage, IT support, insurance, and other professional fees, which are allocated based on full-time equivalents; and salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

Liquidity

The Organization has \$1,066,101 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which consists of the current financial assets per the statement of financial position, excluding prepaid expenses of \$23,405, plus cash included in the investment balance of \$523,955, and reduced by \$249,536 of current contributions receivable not available for general use because of contractual or donor-imposed restrictions. Additionally, although the Organization does not intend to spend from its long-term investments without donor restrictions, amounts could be made available if necessary.

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 \$551,000.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2017 to conform to the presentation for the year ended December 31, 2018. The reclassifications had no impact on previously reported net assets

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through REPORT DATE, the date the financial statements were available to be issued.

Adoption of Accounting Standards Update 2014-16

The Organization has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statement and notes about a nonprofit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net asset classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires nonprofits to report expenses by functional and natural classification in one location in the financial statements and requires nonprofits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets. As required by ASU 2014-16, the Organization applied the requirements on a retrospective basis in the year of adoption, except for the liquidity disclosure which is only presented for the current year, as permitted by the ASU.

NOTE 2 MARKET RISK

RMHC invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31:

	2018	2017
Due within One Year	\$ 488,954	\$ 218,301
Due One to Five Years	445,000	572,331
Total	933,954	790,632
Less: Discount	(25,855)	(26,927)
Total Net Contributions Receivable	<u>\$ 908,099</u>	<u>\$ 763,705</u>

A combination of discount rates were used for different pledges ranging from 2.9% to 3.25% representing the prime rate or risk free rate of return when the pledge was received.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash Equivalents	\$ 523,955	\$ 523,955	\$ 396,481	\$ 396,481
Equities	7,266,048	4,999,598	9,163,512	5,831,812
Corporate Bonds	2,842,768	2,910,752	3,518,307	3,519,332
Government Bonds	720,993	711,862	-	-
Total Investments	<u>\$ 11,353,764</u>	<u>\$ 9,146,167</u>	<u>\$ 13,078,300</u>	<u>\$ 9,747,625</u>

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2018			
	Level 1	Level 2	Level 3	Total
Equities	\$ 7,266,048	\$ -	\$ -	\$ 7,266,048
Corporate Bonds	-	2,842,768	-	2,842,768
Government Bonds	-	720,993	-	720,993
Subtotal	<u>\$ 7,266,048</u>	<u>\$ 3,563,761</u>	<u>\$ -</u>	<u>10,829,809</u>
Cash Equivalents				523,955
Total Investments				<u>\$ 11,353,764</u>

	2017			
	Level 1	Level 2	Level 3	Total
Equities	\$ 9,163,512	\$ -	\$ -	\$ 9,163,512
Corporate Bonds	-	3,518,307	-	3,518,307
Subtotal	<u>\$ 9,163,512</u>	<u>\$ 3,518,307</u>	<u>\$ -</u>	<u>12,681,819</u>
Cash Equivalents				396,481
Total Investments				<u>\$ 13,078,300</u>

NOTE 5 BENEFICIAL USE OF LAND

In October 1996, the Organization entered into a lease agreement with Inova Fairfax Hospital Systems, Inc. (the Hospital) whereby the Organization would lease from the Hospital certain land owned by the Hospital. The agreement includes annual base rent of \$1.00 and provides for an initial lease term of 30 years and contains two 10-year renewal options, for a combined lease period that ends in 2046. An independent appraisal determined that the fair value of the space at the time of inception was \$255,668. The annual rental value was estimated to be \$5,113 per year. In connection with this lease agreement, the Organization discounted the value of the 50-year initial term of the lease using a discount rate of approximately 7.4%, and recorded a restricted contribution in the current year in the amount of \$63,436. The implicit contribution receivable under this agreement was not previously recorded in the financial statements, and is recorded as a donor-restricted contribution in 2018. The value remaining on the use of land as of December 31, 2018 is \$58,323 and has been recorded as such on the statement of financial position. For the year ended December 31, 2018, rent expense of \$5,113 was recorded in connection with this lease agreement.

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
<i>Subject to expenditure for specific purpose:</i>		
DC House - Playground	\$ 544	\$ 3,750
Access Control Project	9,420	24,098
New VA Family Room	18,876	62,100
CareMobile Grant	35,000	-
	63,840	89,948
<i>Subject to passage of time:</i>		
For periods after December 31	1,444,687	1,036,429
<i>Subject to the Organization's spending policy and appropriation:</i>		
Original donor-restricted gifts required to be maintained in perpetuity by donor	1,340,501	1,340,501
Accumulated endowment earnings	456,897	454,936
<i>Not subject to appropriation or expenditure:</i>		
Land required to be used for a Ronald McDonald House	58,323	-
	\$ 3,364,248	\$ 2,921,814

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

	2018	2017
Access Control Project	\$ 14,678	\$ 193,902
Caremobile Fitness Unit	-	273,000
House Operations	-	102,830
Excellence Grant	-	35,000
DC House	3,206	4,000
New VA Family Room	43,224	-
Time	88,651	-
Endowment Fund	24,525	146,578
Physically Challenged Access Project	-	12,000
	\$ 174,284	\$ 767,310

NOTE 7 ENDOWMENTS

In March 1993, RMHC received a donation of shares of common stock of the McDonald's Corporation from Mrs. Ray Kroc. This gift was valued at \$490,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses.

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NOTE 7 ENDOWMENTS (CONTINUED)

In 2016, upon donor instruction, RMHC transferred \$850,001 of donor-restricted Caremobile Medical Unit funds to create a permanent endowment to where earnings of the endowment would be used to fund operations of the current and future Caremobiles.

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 of the gift date of the donor-restricted endowment funds. As a result of this 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 subsequent gifts to the endowment, and (c) accumulations 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 purposes 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 policy of the Organization

Investment Return Objectives and Risk Parameters

The Organization's endowment investment policy is focused on preservation of capital. The original endowment remains invested in donated common stock of the McDonald's Corporation, and the Care Mobile endowment funds are invested in a portfolio of securities with the investment objective to produce income, with long-term growth potential to meet the current and future needs of the Care Mobile program for the Washington DC chapter.

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 approved by the board of directors the endowment assets are invested in a manner with long-term orientation and without undue exposure to risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending rate policy will be five percent (5%). Over the long term, the Organization expects to allow its endowment to grow annually, consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through new contributions and investment returns.

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NOTE 7 ENDOWMENTS (CONTINUED)

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 yields (interest and dividends) by holding on to the original donated investments.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature existed in one of the Organization's endowments and totaled \$37,341 and \$0 as of December 31, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds.

The endowment net assets and activity for 2018 and 2017 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2017	\$ -	\$ 1,480,790	\$ 1,480,790
Investment Gain	-	461,225	461,225
Appropriations	-	(146,578)	(146,578)
Endowment Net Assets, December 31, 2017	-	1,795,437	1,795,437
Investment Gain	-	26,486	26,486
Appropriations	-	(24,525)	(24,525)
Endowment Net Assets, December 31, 2018	<u>\$ -</u>	<u>\$ 1,797,398</u>	<u>\$ 1,797,398</u>

NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2018	2017
Capital Reserves	\$ 7,699,800	\$ 7,874,756
Property Reserve Fund	210,529	250,000
Capital Expenditure Fund	190,976	250,000
	<u>\$ 8,101,305</u>	<u>\$ 8,374,756</u>

NOTE 9 IN-KIND DONATIONS

At December 31, 2018 and 2017, donated materials include donations of property and equipment of \$- and \$19,376, respectively. Other donated in-kind items received were services, rent, utilities and supplies which benefitted program and fundraising totaling \$335,802 and \$94,516 for the years ended December 31, 2018 and 2017, respectively.

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NOTE 10 RONALD MCDONALD HOUSE CHARITIES LICENSE

The RMHC holds a license from McDonald’s Corporation and Ronald McDonald House Charities, Inc. (global) to operate in the community. The license agreement requires the Organization to remit twenty-five percent (25%) of “Special RMHC Fundraising Contributions” to Ronald McDonald House Charities, Inc. on a quarterly basis. These amounts are recorded against contribution income on the statements of activities. In fiscal year 2017, the Organization collected the gross proceeds and remitted 25% to the global organization. In fiscal year 2018, the fundraising amounts were collected by the global organization and the proceeds net of the 25% fee were remitted to RMHC. RMHC remitted \$- and \$106,640 in fees from canister collections to the global organization and recorded \$359,144 and \$505,797 of net donation box revenue in 2018 and 2017, respectively.

Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

NOTE 11 PENSION PLAN

The Organization has a 401(k) tax-sheltered annuity retirement plan. The plan is a defined contribution plan under which all employees can make voluntary contributions up to the IRS maximum. There is also a provision for discretionary contributions by the employer for the benefit of those employees who work at least 1,000 hours per year and have completed 1 year of service. All participants are fully vested in all contributions made. For 2018 and 2017, the Organization matched eligible employee contributions up to 5% of each employee’s compensation, resulting in pension expense of \$44,251 and \$42,614, respectively.

NOTE 12 ALLOCATION OF JOINT COST

The Organization incurs joint costs for informational materials and activities that included fundraising appeals. The following is a summary of the allocation of these joint costs for the years ended December 31:

	2018	2017
Program Services	\$ 111,163	\$ 173,014
Fundraising	90,201	48,695
Management and General	591	-
	<u>\$ 201,955</u>	<u>\$ 221,709</u>