

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
July 13, 2018

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 815,854	\$ 623,769
Contributions Receivable	218,301	293,273
Accounts Receivable	17,866	5,020
Prepaid Expenses	32,559	35,229
Total Current Assets	1,084,580	957,291
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	545,404	571,626
INVESTMENTS	13,078,300	12,530,968
PROPERTY AND EQUIPMENT		
Land and Improvements	1,801,824	1,801,824
Building and Improvements	7,834,612	7,624,661
Furniture and Equipment	944,776	912,392
Website	14,007	-
	10,595,219	10,338,877
Less: Accumulated Depreciation and Amortization	2,720,463	2,464,090
Total Property and Equipment	7,874,756	7,874,787
TOTAL ASSETS	\$ 22,583,040	\$ 21,934,672
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 197,113	\$ 219,622
NET ASSETS		
Unrestricted		
Board Designated	8,374,756	7,874,787
Undesignated	11,089,357	11,049,896
Total Unrestricted	19,464,113	18,924,683
Temporarily Restricted	1,581,313	1,449,866
Permanently Restricted	1,340,501	1,340,501
Total Net Assets	22,385,927	21,715,050
TOTAL LIABILITIES AND NET ASSETS	\$ 22,583,040	\$ 21,934,672

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Contributions and Fundraising Events	\$ 355,595	\$ 437,532	\$ -	\$ 793,127	\$ 746,516	\$ 140,021	\$ -	\$ 886,537
Donations - Room Occupants	34,898	-	-	34,898	33,238	-	-	33,238
Other Donations	927,944	-	-	927,944	759,228	-	-	759,228
Donated Materials	113,891	-	-	113,891	130,473	-	-	130,473
Special Events	103,745	-	-	103,745	38,758	-	-	38,758
Realized Gains on Sale of Investments	490,567	11,524	-	502,091	181,230	-	-	181,230
Unrealized Gain on Investments	812,864	405,989	-	1,218,853	364,528	23,628	-	388,156
Interest and Dividends	184,726	43,712	-	228,438	196,958	42,267	-	239,225
Other	105,520	-	-	105,520	32,767	-	-	32,767
Reclass of Restrictions	-	-	-	-	-	(850,001)	850,001	-
Net Assets Released from Restrictions	767,310	(767,310)	-	-	87,217	(87,217)	-	-
Total Public Support and Revenue	<u>3,897,060</u>	<u>131,447</u>	<u>-</u>	<u>4,028,507</u>	<u>2,570,913</u>	<u>(731,302)</u>	<u>850,001</u>	<u>2,689,612</u>
EXPENSES								
Program Services	2,513,170	-	-	2,513,170	2,547,804	-	-	2,547,804
Management and General	296,662	-	-	296,662	257,254	-	-	257,254
Fundraising	547,798	-	-	547,798	498,839	-	-	498,839
Total Expenses	<u>3,357,630</u>	<u>-</u>	<u>-</u>	<u>3,357,630</u>	<u>3,303,897</u>	<u>-</u>	<u>-</u>	<u>3,303,897</u>
CHANGE IN NET ASSETS	539,430	131,447	-	670,877	(732,984)	(731,302)	850,001	(614,285)
NET ASSETS, BEGINNING OF YEAR	<u>18,924,683</u>	<u>1,449,866</u>	<u>1,340,501</u>	<u>21,715,050</u>	<u>19,657,667</u>	<u>2,181,168</u>	<u>490,500</u>	<u>22,329,335</u>
NET ASSETS, END OF YEAR	<u>\$ 19,464,113</u>	<u>\$ 1,581,313</u>	<u>\$ 1,340,501</u>	<u>\$ 22,385,927</u>	<u>\$ 18,924,683</u>	<u>\$ 1,449,866</u>	<u>\$ 1,340,501</u>	<u>\$ 21,715,050</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
Telephone	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
Total	\$ 2,513,170	\$ 296,662	\$ 547,798	\$ 3,357,630

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Employee Costs	\$ 1,124,877	\$ 120,468	\$ 283,436	\$ 1,528,781
Grants and Family Assistance	319,914	-	-	319,914
Depreciation and Amortization	240,467	2,620	1,763	244,850
Professional Fees	183,237	116,480	16,847	316,564
Counterbox Expenses	-	-	102,236	102,236
Insurance	56,291	2,428	5,175	63,894
Supplies	114,715	4,948	10,547	130,210
Repairs and Maintenance	90,805	989	666	92,460
Printing, Mailing, and Postage	7,856	339	722	8,917
Utilities	77,428	844	568	78,840
Telephone	12,122	-	-	12,122
Travel and Meetings	17,954	-	-	17,954
Other	15,158	8,138	-	23,296
Other Outside Services	284,067	-	58,109	342,176
Family Transportation	1,196	-	-	1,196
Marketing and PR	967	-	6,270	7,237
Occupancy	750	-	12,500	13,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,547,804</u>	<u>\$ 257,254</u>	<u>\$ 498,839</u>	<u>\$ 3,303,897</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, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 670,877	\$ (614,285)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	256,373	244,850
Donated Property and Equipment	(19,376)	(22,922)
Realized Gain on Investments	(502,091)	(181,230)
Unrealized Gain on Investments	(1,218,853)	(388,156)
Effects of Changes in Operating Assets and Liabilities:		
Pledges and Contributions Receivable	101,194	188,335
Accounts Receivable	(12,846)	8,567
Prepaid Expenses	2,670	(30,281)
Accounts Payable and Accrued Expenses	(22,509)	14,613
Net Cash Used by Operating Activities	(744,561)	(780,509)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(236,966)	(29,767)
Purchase of Investments	(2,722,814)	(4,370,907)
Proceeds from Sale of Investments	3,896,426	4,944,148
Net Cash Provided by Investing Activities	936,646	543,474
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	192,085	(237,035)
 Cash and Cash Equivalents, Beginning of Year	623,769	860,804
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 815,854	\$ 623,769
 SUPPLEMENTAL DISCLOSURES		
Donated Property and Equipment	\$ 19,376	\$ 22,922

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 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 two 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 Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Income Taxes

The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service determined that the Organization is not a private foundation.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Financial Risk

The Organization maintains its cash in bank accounts which at times exceed FDIC federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant financial risk on cash.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers money market funds and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Receivables are written off when all collection efforts are exhausted. All receivables are deemed collectible by management at December 31, 2017 and 2016.

Investments

Investments are recorded at fair value.

Fair Value Measurements

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

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 or liability 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.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The land on which the Northern Virginia Ronald McDonald House is located is leased from Inova Fairfax Hospital Systems, Inc. The lease is at the rate of \$1 per year expiring in October 2026. The fair value of this land lease is deemed immaterial to the overall financial statements and, thus, no amount is recorded in the financial statements.

Net Assets

The Organization's resources are classified for accounting and reporting purposes into net asset groups based on the existence or absence of donor or time imposed restrictions. The net asset groups are as follows:

Unrestricted - Represents resources available for support of the operations of the Organization. The board has designated funds for property and equipment and capital improvements.

Temporarily Restricted - Represents resources received by the Organization from contributors or grantors that are purpose and/or time restricted by the donors.

Permanently Restricted - Represents resources received by the Organization from contributors or grantors that are to be held in perpetuity. The investment earnings on the permanently restricted net assets are reflected in the statements of activities as components of temporarily restricted net assets and released from restrictions as funds are expended for the restricted purposes.

Contributions

Revenues from contributions are considered to be available for unrestricted use and are recognized as revenue when an unconditional pledge is received or when cash is received if no pledge exists. Contributions that are restricted for use in a later time period or purpose restricted are recognized as temporarily restricted net assets. Temporarily restricted net assets become unrestricted when the time restrictions expire or when the purpose restrictions are met. Contributions that are restricted that are released in the same year are presented as unrestricted.

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.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain prior amounts have been reclassified to confirm to the current year presentation. Such reclassifications had no effect on previously reported net assets or changes in net asset amounts.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2018, the date the financial statements were available to be issued.

Uniform Prudent Management of Institutional Funds Act

Under the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA), all unappropriated endowment fund assets are considered restricted.

NOTE 2 FINANCIAL RISK

Credit Risk

Financial instruments which subject the Organization to a concentration of credit risk consist of demand deposits placed with financial institutions. At times during the year the Organization had funds invested with local financial institutions in excess of the Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses on such deposits.

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.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 CONTRIBUTIONS RECEIVABLE

As of December 31, 2017 and 2016, contributions receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Contributions Receivable	\$ 790,632	\$ 918,273
Less Discount	<u>(26,927)</u>	<u>(53,374)</u>
Total Net Contributions Receivable	<u>\$ 763,705</u>	<u>\$ 864,899</u>
Due within One Year	\$ 218,301	\$ 293,273
Due One to Five Years	<u>545,404</u>	<u>571,626</u>
	<u>\$ 763,705</u>	<u>\$ 864,899</u>

The discount rate used was 3.25% which was the prime rate when pledge was received.

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash Equivalents	\$ 396,481	\$ 396,481	\$ 341,009	\$ 341,009
Equities	9,163,512	5,831,812	8,754,572	6,625,715
Corporate Bonds	<u>3,518,307</u>	<u>3,519,332</u>	<u>3,435,387</u>	<u>3,452,422</u>
Total Investments	<u>\$ 13,078,300</u>	<u>\$ 9,747,625</u>	<u>\$ 12,530,968</u>	<u>\$ 10,419,146</u>

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016.

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 396,481	\$ -	\$ -	\$ 396,481
Equities	9,163,512	-	-	9,163,512
Corporate Bonds	-	<u>3,518,307</u>	-	<u>3,518,307</u>
Total	<u>\$ 9,559,993</u>	<u>\$ 3,518,307</u>	<u>\$ -</u>	<u>\$ 13,078,300</u>
	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 341,009	\$ -	\$ -	\$ 341,009
Equities	8,754,572	-	-	8,754,572
Corporate Bonds	-	<u>3,435,387</u>	-	<u>3,435,387</u>
Total	<u>\$ 9,095,581</u>	<u>\$ 3,435,387</u>	<u>\$ -</u>	<u>\$ 12,530,968</u>

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	2017	2016
DC House - Playground	\$ 3,750	\$ 7,750
Access Control Project	24,098	-
Time	1,036,429	1,240,212
Endowment Earnings	454,936	140,289
House Operations	-	61,615
New VA Family Room	62,100	-
	\$ 1,581,313	\$ 1,449,866

Temporarily restricted net assets were released from restrictions for the following purposes for the years ended December 31:

	2017	2016
Access Control Project	\$ 193,902	\$ -
Caremobile Fitness Unit	273,000	-
House Operations	102,830	192
Excellence Grant	35,000	62,500
DC House	4,000	-
Endowment Fund	146,578	24,525
Physically Challenged Access Project	12,000	-
	\$ 767,310	\$ 87,217

During 2016, the Co-Op contributors authorized the use of the Caremobile Medical Unit funds of \$850,001 to be invested to create a permanent endowment to where earnings of the endowment would be used to fund operations of current and future Caremobiles. Accordingly, these funds were reclassified from temporarily restricted to permanently restricted net assets. No reclassifications occurred for 2017.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 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. Investment income related to the gift is recorded as increases/decreases in temporarily restricted net assets.

The Board of Directors of the Organization has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization's endowment investment policy is focused on preservation of capital and all amounts are invested in donated common stock of the McDonald's Corporation.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

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 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.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 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.

The endowment net assets and activity for 2017 and 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2016	\$ -	\$ 98,660	\$ 490,500	\$ 589,160
Contributions	-	850,001		850,001
Investment Gain	-	66,154	-	66,154
Appropriations	-	(24,525)	-	(24,525)
Transfer from Temporarily to Permanently Restricted Net Assets	-	(850,001)	850,001	-
Endowment Net Assets, December 31, 2016	-	140,289	1,340,501	1,480,790
Contributions	-	-	-	-
Investment Gain	-	461,225	-	461,225
Appropriations	-	(146,578)	-	(146,578)
Endowment Net Assets, December 31, 2017	<u>\$ -</u>	<u>\$ 454,936</u>	<u>\$ 1,340,501</u>	<u>\$ 1,795,437</u>

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets. The deficiencies at December 31, 2017 and 2016, were \$-0- and \$-0-, respectively.

NOTE 7 IN-KIND DONATIONS

At December 31, 2017 and 2016, donated materials include donations of property and equipment of \$19,376 and \$22,922, respectively. Other donated in-kind items received were services, utilities and supplies which benefitted program and fundraising totaling \$94,516 and \$107,551 for the years ended December 31, 2017 and 2016, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 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. In some cases, the fundraising amounts are collected by the global organization and the net amount is remitted to RMHC. In other cases, the Organization receives the gross proceeds and remits 25% to the global organization. RMHC remitted \$106,640 and \$132,926 from canister collections to the global organization in 2017 and 2016, respectively. These amounts are recorded against contribution income on the statements of activities. Amounts owed to the global organization, but not yet paid as of December 31, 2017 and 2016 of \$-0- and \$33,958, respectively are recorded as accrued expenses on the statements of financial position.

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

NOTE 9 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 2017 and 2016, the Organization matched eligible employee contributions up to 5% of each employee’s compensation, resulting in pension expense of \$42,614 and \$40,338, respectively.

NOTE 10 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:

	2017	2016
Program Services	\$ 173,014	\$ 140,765
Fundraising	48,695	58,109
	<u>\$ 221,709</u>	<u>\$ 198,874</u>