

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

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ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2018

Dear Friends of Atlanta Ronald McDonald House Charities:

Thank you to everyone who supported Atlanta Ronald McDonald House Charities in 2018! We are very proud of our continued progress, growing our impact on children and families through our two Ronald McDonald Houses, Ronald McDonald Care Mobile, RMHC Scholarship Program, and our new Ronald McDonald Family Room while ensuring financial stability for the Charity.

Our Ronald McDonald Houses hosted 2,656 visits from families whose children face life-threatening illnesses or injuries for 18,444 nights, allowing them to remain close to each other and the care they need. Our Ronald McDonald Care Mobile received 1,369 visits from asthma patients at 11 Atlanta Public Schools, helping to improve their lung function. Our Ronald McDonald Family Room inside Children's at Scottish Rite hosted 32,088 family members while their child was undergoing cancer treatment, providing them an area of respite just steps away from the child's bedside. In addition to our staff, 17,146 volunteers helped support these children and families with activities such as Santa's Workshop, arts and crafts, and movie nights as well as providing more than 1,400 meals. Their love and compassion helps families cope better during this very stressful time. Lastly, our RMHC Scholarship program allowed us to provide support to 33 students matriculating through college, many of whom would not be able to receive their degree without this support.

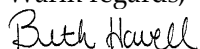
2018 marked the 10th anniversary of our Gatewood House. With its 50 bedrooms and transplant suites, it was a game-changer for Atlanta RMHC when it opened in 2008 and is evidence of what teamwork and commitment can accomplish. Our House on Peachtree Dunwoody Road celebrated its 3rd anniversary and hosted several amazing events, including celebrating with the top high school basketball athletes from around the country chosen to participate in the McDonald's All American Games.

Our theme in 2018 was *Achieving Together*, and thanks to the generosity of the community, we exceeded our annual financial goal. Atlanta RMHC earned a four-star rating on Charity Navigator, an independent evaluator of non-profits in the U.S. This is the highest possible rating and verifies Atlanta RMHC exceeds industry standards and outperforms most charities in its area of work. Additionally, Atlanta RMHC holds the Platinum Seal of Transparency, the highest level of recognition offered by Guidestar, the world's largest source of non-profit information. These ratings are rewarded for demonstrating strong financial health and commitment to accountability and transparency.

In 2018, we continued to strengthen our financial position while ensuring we are growing our impact. Program investments represented 83% of our total \$5.2 million annual expenses, reflecting our strong commitment to investing in our mission. Our total net assets are valued at \$40 million, with over \$29 million invested in property and equipment and over \$11 million in cash, investments and pledges receivable. Our financial position allows us to move forward with our program growth plans for the future.

To those who continue to commit themselves to our mission, who generously give their resources and energy, and who embody the spirit of teamwork, I say *THANK YOU*. I remain honored to be a part of this organization, together with you.

Warm regards,



President & CEO

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Atlanta Ronald McDonald House Charities, Inc.

We have audited the accompanying financial statements of Atlanta Ronald McDonald House Charities, Inc. (a nonprofit 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

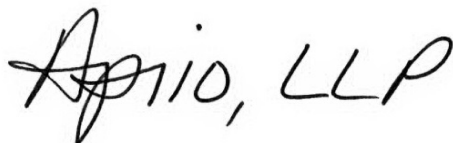
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Ronald McDonald House Charities, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of scholarships granted on page 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

July 24, 2019

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 2,216,814 | \$ 360,876 | \$ 2,577,690 |
| Other receivables | 285,277 | - | 285,277 |
| Pledges receivable, net | - | 134,284 | 134,284 |
| Prepaid expenses | 48,151 | - | 48,151 |
| Investments, at fair value | 6,695,761 | 1,711,155 | 8,406,916 |
| Property and equipment, net | <u>28,588,654</u> | <u>-</u> | <u>28,588,654</u> |
| Total assets | <u>\$ 37,834,657</u> | <u>\$ 2,206,315</u> | <u>\$ 40,040,972</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued expenses | \$ 175,692 | \$ - | \$ 175,692 |
| Deferred revenue | 41,451 | - | 41,451 |
| Pledge payable | <u>902,590</u> | <u>-</u> | <u>902,590</u> |
| Total liabilities | <u>1,119,733</u> | <u>-</u> | <u>1,119,733</u> |
| <u>NET ASSETS</u> | <u>36,714,924</u> | <u>2,206,315</u> | <u>38,921,239</u> |
| Total liabilities and net assets | <u>\$ 37,834,657</u> | <u>\$ 2,206,315</u> | <u>\$ 40,040,972</u> |

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 4,039,259 | \$ 1,818,558 | \$ 5,857,817 |
| Other receivables | 534,626 | - | 534,626 |
| Pledges receivable | - | 358,628 | 358,628 |
| Prepaid expenses | 45,195 | - | 45,195 |
| Investments, at fair value | 3,622,818 | 636,541 | 4,259,359 |
| Property and equipment, net | <u>28,815,840</u> | <u>-</u> | <u>28,815,840</u> |
| Total assets | <u>\$ 37,057,738</u> | <u>\$ 2,813,727</u> | <u>\$ 39,871,465</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued expenses | \$ 194,878 | \$ - | \$ 194,878 |
| Deferred revenue | 83,706 | - | 83,706 |
| Pledge payable | <u>1,193,283</u> | <u>-</u> | <u>1,193,283</u> |
| Total liabilities | <u>1,471,867</u> | <u>-</u> | <u>1,471,867</u> |
| <u>NET ASSETS</u> | <u>35,585,871</u> | <u>2,813,727</u> | <u>38,399,598</u> |
| Total liabilities and net assets | <u>\$ 37,057,738</u> | <u>\$ 2,813,727</u> | <u>\$ 39,871,465</u> |

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| <u>REVENUES AND OTHER SUPPORT</u> | | | |
| Contributions | \$ <u>3,610,856</u> | \$ <u>739,121</u> | \$ <u>4,349,977</u> |
| Special events revenue | 2,372,397 | - | 2,372,397 |
| Less: direct benefit cost | <u>(927,780)</u> | <u>-</u> | <u>(927,780)</u> |
| Special events revenue, net | 1,444,617 | - | 1,444,617 |
| Room rental | 93,488 | - | 93,488 |
| Other income | 872 | - | 872 |
| Net assets released from restrictions | <u>1,334,312</u> | <u>(1,334,312)</u> | <u>-</u> |
| Total revenues and other support | <u>6,484,145</u> | <u>(595,191)</u> | <u>5,888,954</u> |
| <u>EXPENSES</u> | | | |
| Program | 4,288,632 | - | 4,288,632 |
| Supporting services: | | | |
| General and administrative | 359,189 | - | 359,189 |
| Fundraising | 545,514 | - | 545,514 |
| Unallocated payments to National Organization | <u>61,346</u> | <u>-</u> | <u>61,346</u> |
| Total expenses | <u>5,254,681</u> | <u>-</u> | <u>5,254,681</u> |
| Change in net assets from operations | 1,229,464 | (595,191) | 634,273 |
| Investment return | <u>(100,411)</u> | <u>(12,221)</u> | <u>(112,632)</u> |
| Change in net assets | 1,129,053 | (607,412) | 521,641 |
| Net assets at beginning of year | <u>35,585,871</u> | <u>2,813,727</u> | <u>38,399,598</u> |
| Net assets at end of year | <u>\$ 36,714,924</u> | <u>\$ 2,206,315</u> | <u>\$ 38,921,239</u> |

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------|
| <u>REVENUE AND OTHER SUPPORT</u> | | | |
| Contributions | \$ 3,042,949 | \$ 1,228,245 | \$ 4,271,194 |
| Special events revenue | 1,375,698 | - | 1,375,698 |
| Less: direct benefit cost | (560,147) | - | (560,147) |
| Special events revenue, net | 815,551 | - | 815,551 |
| Room rental | 108,489 | - | 108,489 |
| Other income | 10,687 | - | 10,687 |
| Net assets released from restrictions | 904,943 | (904,943) | - |
| Total revenue and other support | 4,882,619 | 323,302 | 5,205,921 |
| <u>EXPENSES</u> | | | |
| Program | 4,152,691 | - | 4,152,691 |
| Supporting services: | | | |
| General and administrative | 290,812 | - | 290,812 |
| Fundraising | 371,023 | - | 371,023 |
| Unallocated payments to National Organization | 56,583 | - | 56,583 |
| Total expenses | 4,871,109 | - | 4,871,109 |
| Change in net assets from operations | 11,510 | 323,302 | 334,812 |
| Investment return | 451,283 | 21,366 | 472,649 |
| Change in net assets | 462,793 | 344,668 | 807,461 |
| Net assets at beginning of year | 35,123,078 | 2,469,059 | 37,592,137 |
| Net assets at end of year | \$ 35,585,871 | \$ 2,813,727 | \$ 38,399,598 |

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Program Services | | | | | General and Administrative | Fundraising | Total |
|---|---------------------|-------------------|------------------|-------------------|---------------------|-------------------------------|-------------------|---------------------|
| | House Operations | Grant Making | Care Mobile | Family Room | Total | | | |
| Salaries and related expenses | \$ 1,047,247 | \$ 58,251 | \$ 43,432 | \$ 96,557 | \$ 1,245,487 | \$ 145,765 | \$ 469,988 | \$ 1,861,240 |
| Direct benefit cost | - | - | - | - | - | - | 927,780 | 927,780 |
| House occupancy | 474,648 | - | - | - | 474,648 | - | - | 474,648 |
| House maintenance and repair | 367,683 | - | - | - | 367,683 | - | - | 367,683 |
| Insurance | 54,587 | 1,939 | 213 | 1,071 | 57,810 | 5,673 | 3,197 | 66,680 |
| Marketing | 62,202 | - | - | - | 62,202 | 31,098 | - | 93,300 |
| Scholarship | - | 93,240 | - | - | 93,240 | - | - | 93,240 |
| Office and supplies | 16,960 | - | - | 1,821 | 18,781 | 41,992 | 493 | 61,266 |
| Technology | 107,418 | 409 | 725 | 4,481 | 113,033 | 1,569 | 7,974 | 122,576 |
| Bank and transaction fees | - | - | - | - | - | 49,384 | - | 49,384 |
| Professional fees | - | - | - | - | - | 47,014 | 30,000 | 77,014 |
| Other | <u>58,648</u> | <u>560</u> | <u>993</u> | <u>9,145</u> | <u>69,346</u> | <u>29,679</u> | <u>33,862</u> | <u>132,887</u> |
| Total expenses before | 2,189,393 | 154,399 | 45,363 | 113,075 | 2,502,230 | 352,174 | 1,473,294 | 4,327,698 |
| Depreciation | 1,352,754 | - | - | - | 1,352,754 | 7,015 | - | 1,359,769 |
| Donated materials and services | <u>433,648</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>433,648</u> | <u>-</u> | <u>-</u> | <u>433,648</u> |
| Total expenses by function | 3,975,795 | 154,399 | 45,363 | 113,075 | 4,288,632 | 359,189 | 1,473,294 | 6,121,115 |
| Less expenses included with revenues on the statement of activities | | | | | | | | |
| Direct benefit costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(927,780)</u> | <u>(927,780)</u> |
| Total functional expenses | <u>\$ 3,975,795</u> | <u>\$ 154,399</u> | <u>\$ 45,363</u> | <u>\$ 113,075</u> | <u>\$ 4,288,632</u> | <u>\$ 359,189</u> | <u>\$ 545,514</u> | <u>\$ 5,193,335</u> |

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Program Services | | | | | General and Administrative | Fundraising | Total |
|---|---------------------|-------------------|------------------|-------------------|---------------------|-------------------------------|-------------------|---------------------|
| | House Operations | Grant Making | Care Mobile | Family Room | Total | | | |
| Salaries and related expenses | \$ 1,030,364 | \$ 30,856 | \$ 37,914 | \$ 101,434 | \$ 1,200,568 | \$ 96,263 | \$ 342,935 | \$ 1,639,766 |
| Direct benefit cost | - | - | - | - | - | - | 560,147 | 560,147 |
| House occupancy | 466,498 | - | - | - | 466,498 | - | - | 466,498 |
| House maintenance and repair | 283,751 | - | - | 95,000 | 378,751 | - | - | 378,751 |
| Insurance | 42,256 | 174 | 174 | - | 42,604 | 3,569 | 2,610 | 48,783 |
| Marketing | 22,716 | - | - | - | 22,716 | 31,989 | - | 54,705 |
| Scholarship | - | 173,250 | - | - | 173,250 | - | - | 173,250 |
| Office and supplies | - | - | - | - | - | 48,016 | - | 48,016 |
| Technology | 62,025 | - | - | - | 62,025 | 35,640 | - | 97,665 |
| Bank and transaction fees | - | - | - | - | - | 43,603 | - | 43,603 |
| Professional fees | 49,975 | - | - | - | 49,975 | - | - | 49,975 |
| Other | <u>51,434</u> | <u>2,472</u> | <u>-</u> | <u>3,963</u> | <u>57,869</u> | <u>24,717</u> | <u>25,478</u> | <u>108,064</u> |
| Total expenses before | 2,009,019 | 206,752 | 38,088 | 200,397 | 2,454,256 | 283,797 | 931,170 | 3,669,223 |
| Depreciation | 1,310,629 | - | - | - | 1,310,629 | 7,015 | - | 1,317,644 |
| Donated materials and services | <u>387,806</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>387,806</u> | <u>-</u> | <u>-</u> | <u>387,806</u> |
| Total expenses by function | 3,707,454 | 206,752 | 38,088 | 200,397 | 4,152,691 | 290,812 | 931,170 | 5,374,673 |
| Less expenses included with revenues on the statement of activities | | | | | | | | |
| Direct benefit costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(560,147)</u> | <u>(560,147)</u> |
| Total functional expenses | <u>\$ 3,707,454</u> | <u>\$ 206,752</u> | <u>\$ 38,088</u> | <u>\$ 200,397</u> | <u>\$ 4,152,691</u> | <u>\$ 290,812</u> | <u>\$ 371,023</u> | <u>\$ 4,814,526</u> |

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| <u>Operating activities:</u> | | |
| Change in net assets | \$ 521,641 | \$ 807,461 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,359,769 | 1,317,644 |
| Amortization of loan costs | - | 631 |
| Realized gain on sales of investments | (148,999) | (116,479) |
| Unrealized (gain) loss on investments | 405,745 | (286,131) |
| Provision for uncollectible pledges receivable | 1,800 | - |
| Payments on pledges received | (212,544) | (911,471) |
| (Increase) decrease in assets: | | |
| Other receivables | 249,349 | (111,556) |
| Pledges receivable | 222,544 | 934,290 |
| Prepaid expenses | (2,956) | (16,852) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (19,187) | (34,917) |
| Deferred revenue | <u>(42,254)</u> | <u>83,706</u> |
| Net cash provided by operating activities | <u>2,334,908</u> | <u>1,666,326</u> |
| <u>Investing activities:</u> | | |
| Purchase of property and equipment | (1,132,582) | (280,396) |
| Proceeds from sale of investments | 1,037,926 | 837,522 |
| Investment return reinvested and purchase of investments | <u>(5,442,230)</u> | <u>(874,410)</u> |
| Net cash used in investing activities | <u>(5,536,886)</u> | <u>(317,284)</u> |
| <u>Financing activities:</u> | | |
| Payment on pledge payable | (290,693) | (167,217) |
| Principal payments on construction loan | - | (152,462) |
| Payments on pledges received | <u>212,544</u> | <u>911,471</u> |
| Net cash provided by (used in) financing activities | <u>(78,149)</u> | <u>591,792</u> |
| Net increase (decrease) in cash and cash equivalents | (3,280,127) | 1,940,834 |
| Cash and cash equivalents at beginning of year | <u>5,857,817</u> | <u>3,916,983</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,577,690</u> | <u>\$ 5,857,817</u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | |
|------------------------|-------------|---------------|
| Cash paid for interest | <u>\$ -</u> | <u>\$ 475</u> |
|------------------------|-------------|---------------|

See independent auditors' report and accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note A

Description of Operations

Atlanta Ronald McDonald House Charities, Inc. (the "Organization") is a charitable organization whose mission is to nurture the health and well-being of children and families across the United States, the majority of which reside in Georgia, through four programs:

- 1) providing temporary lodging for families whose children are undergoing treatment at local hospitals
- 2) providing scholarships to children to assist them in accessing education
- 3) providing asthma care to children through the Ronald McDonald Care Mobile program
- 4) providing a place of respite within the hospital for families whose children are receiving inpatient care in the oncology/hematology unit through the Ronald McDonald Family Room

The Organization also makes grants and contributions to organizations which engage, in whole or in part, in educating children, providing for the essential needs of children, or carrying on research for, or treatment of, physical and mental diseases and other disorders of children. The Organization is supported primarily through donor contributions, grants, and fundraising activities.

Note B

Summary of Significant Accounting Policies

New Accounting Pronouncements:

On August 18, 2016, the FASB issues Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.
- The financial statements include an enhanced disclosure about the functional allocation of expenses.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note B

Summary of Significant Accounting Policies (Continued)

The changes have the following effect on net assets at January 1, 2017:

| <u>Net Asset Class</u> | <u>As Previously Presented</u> | <u>Reclassification</u> | <u>After Adoption of ASU 2016-14</u> |
|---------------------------------------|--------------------------------|-------------------------|--------------------------------------|
| Unrestricted net assets | \$ 31,747,982 | \$ 3,375,096 | \$ - |
| Temporarily restricted net assets | 5,233,405 | (3,375,096) | - |
| Permanently restricted net assets | 610,750 | - | - |
| Net assets without donor restrictions | - | - | 35,123,078 |
| Net assets with donor restrictions | - | - | <u>2,469,059</u> |
| Total net assets | <u>\$ 37,592,137</u> | <u>\$ -</u> | <u>\$ 37,592,137</u> |

The changes have the following effect on net assets at December 31, 2017:

| <u>Net Asset Class</u> | <u>As Previously Presented</u> | <u>Reclassification</u> | <u>After Adoption of ASU 2016-14</u> |
|---------------------------------------|--------------------------------|-------------------------|--------------------------------------|
| Unrestricted net assets | \$ 31,759,492 | \$ 3,826,379 | \$ - |
| Temporarily restricted net assets | 6,029,356 | (3,826,379) | - |
| Permanently restricted net assets | 610,750 | - | - |
| Net assets without donor restrictions | - | - | 35,585,871 |
| Net assets with donor restrictions | - | - | <u>2,813,727</u> |
| Total net assets | <u>\$ 38,399,598</u> | <u>\$ -</u> | <u>\$ 38,399,598</u> |

Financial Statement Presentation:

Financial statement presentation is in accordance with accounting standards regarding the reporting of net assets. 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 Directors.
- Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note B

Summary of Significant Accounting Policies (Continued)

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting. Contributions are recognized upon an unconditional promise to give by a donor to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions received from donors with permanent restriction are maintained as net assets with donor restrictions in perpetuity. Expenses are recognized when incurred.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include collectability of pledges receivable and discount on pledges receivable. Actual results could differ from those estimates.

Cash Equivalents:

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk:

The Organization maintains its cash balances in several financial institutions. Such balances, at times, may exceed federally insured limits. The Organization has not experienced any such losses and does not believe that it is exposed to any significant risk on its cash and cash equivalents.

Pledges and Other Receivables:

Pledges receivable are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises are not recorded as support until the conditions are substantially met. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction has been met or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Other receivables on the statements of financial position are funds receivable from local restaurants and grants receivable from private organizations. These receivables are due in less than one year.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note B

Summary of Significant Accounting Policies (Continued)

The Organization uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises to give. As of December 31, 2018, the allowance for doubtful accounts was \$1,800 and is included within pledges receivable on the statement of financial position. Management has determined that no allowance was necessary at December 31, 2017.

Investments:

As more fully described in Note E, investments are carried at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investment income and gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations, or by law. Investment income and gains and losses on investments whose use is restricted by explicit donor stipulation, or by law, but whose restrictions expire in the same reporting period as earned, are reported as investment return without donor restrictions.

Investments consist of marketable debt and equity securities and are reported at their fair values in the statements of financial position. All equity and debt securities held by the Organization are considered to be available-for-sale securities. Investment securities are exposed to various risks, such as interest rate risk, market risk 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 risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Property and Equipment:

Property and equipment are stated at cost for purchased assets or fair value on the date of donation for donated assets. The Organization reviews for capitalization all expenditures greater than \$2,000. Assets received by donation generally follow the same capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The useful lives used for depreciation are as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 15-30 years |
| Furniture and Equipment | 5-20 years |

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note B

Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. No impairment loss has been recognized during the years ended 2018 and 2017.

Functional Expenses:

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses common to several functions are allocated according to estimates developed by management. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort; insurance and depreciation, which are allocated on a weighted average square footage basis; and marketing materials, which are allocated based on utilization.

Program services are the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the Organization exists. General and administrative activities are activities that are not identifiable with a single program or fundraising activity but that are indispensable to the conduct of those activities and to the Organization's existence. Fundraising activities are activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time.

Donated Assets and Services:

Donated assets and services are reflected as contributions in the accompanying statements of activities at their estimated fair values at the date of receipt. No amounts have been reflected in the statements of activities for donated volunteer services because they do not meet the criteria for revenue recognition.

Income Taxes:

The Organization is a charitable organization and qualifies under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization for both federal and state income tax purposes. Accordingly, the Organization has provided for no income taxes in the accompanying financial statements. The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 *Income Taxes*. There were no unrecognized tax benefits or related liabilities at December 31, 2018 or 2017. The Organization is no longer subject to income tax examinations for calendar years prior to 2015.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note B

Summary of Significant Accounting Policies (Continued)

Amortization of Loan Costs:

Loan costs incurred by the Organization to obtain the note payable were recorded as a direct deduction from the carrying amount of the note payable. The loan costs were amortized using the effective interest rate method over the life of the note payable. Amortization of loan costs is included in interest expense. The loan costs were fully amortized during the year ended December 31, 2017.

Reclassifications:

Certain amounts as of and for the year ending December 31, 2017, have been reclassified to conform with the current year presentation.

Note C

Pledges Receivable

Pledges receivable at their net realizable value consist of the following at December 31:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-------------------|-------------------|
| Due in one year or less | \$ 91,084 | \$ 265,503 |
| One to five years | <u>45,000</u> | <u>93,125</u> |
| | 136,084 | 358,628 |
| Less: estimated uncollectible amounts | <u>(1,800)</u> | <u>-</u> |
| Pledges receivable, net | <u>\$ 134,284</u> | <u>\$ 358,628</u> |

Note D

Investments

Investments consisted of the following at December 31, 2018:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------------|---------------------------------------|------------------------------------|---------------------|
| Mutual Funds | \$ 5,222,137 | \$ 1,214,905 | \$ 6,437,042 |
| Equity Securities | 859,866 | 496,250 | 1,356,116 |
| Exchange - Traded Funds | 179,398 | - | 179,398 |
| Debt Securities - Corporate | <u>434,360</u> | <u>-</u> | <u>434,360</u> |
| | <u>\$ 6,695,761</u> | <u>\$ 1,711,155</u> | <u>\$ 8,406,916</u> |

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note D

Investments (Continued)

Investments consisted of the following at December 31, 2017:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------------|---------------------------------------|------------------------------------|---------------------|
| Mutual Funds | \$ 1,848,392 | \$ 140,291 | \$ 1,988,683 |
| Equity Securities | 1,078,876 | 496,250 | 1,575,126 |
| Exchange- Traded Funds | 294,391 | - | 294,391 |
| Debt Securities - Corporate | <u>401,159</u> | <u>-</u> | <u>401,159</u> |
| | <u>\$ 3,622,818</u> | <u>\$ 636,541</u> | <u>\$ 4,259,359</u> |

The components of investment return are as follows for the years ended December 31:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|---------------------|-------------------|
| Interest and dividends | \$ 172,681 | \$ 96,172 |
| Realized gains | 148,999 | 116,479 |
| Unrealized gains (losses) | (405,745) | 286,131 |
| Less: investment expenses | <u>(28,567)</u> | <u>(26,133)</u> |
| | <u>\$ (112,632)</u> | <u>\$ 472,649</u> |

Note E

Fair Value Measurements

The Organization applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The three general valuation techniques that may be used to measure fair value are described below:

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

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note E

Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2018:

Assets measured at fair value on a recurring basis as of December 31, 2018

| | Cost | Fair Value | Level 1 | Level 2 | Level 3 |
|-----------------------------|--------------|--------------|--------------|------------|---------|
| Mutual Funds | \$ 6,343,916 | \$ 6,437,042 | \$ 6,437,042 | \$ - | \$ - |
| Equity Securities | 1,096,963 | 1,356,116 | 1,356,116 | - | - |
| Exchange - Traded Funds | 148,845 | 179,398 | 179,398 | - | - |
| Debt Securities - Corporate | 445,719 | 434,360 | - | 434,360 | - |
| | \$ 8,035,443 | \$ 8,406,916 | \$ 7,972,556 | \$ 434,360 | \$ - |

Assets measured at fair value on a non-recurring basis as of December 31, 2018

| | Fair Value | Level 1 | Level 2 | Level 3 |
|--------------------|------------|---------|---------|------------|
| Pledges receivable | \$ 136,084 | \$ - | - | \$ 136,084 |

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note E

Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2017:

Assets measured at fair value on a recurring basis as of December 31, 2017

| | <u>Cost</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------------|---------------------|---------------------|---------------------|-------------------|----------------|
| Mutual Funds | \$ 1,833,291 | \$ 1,988,683 | \$ 1,988,683 | \$ - | \$ - |
| Equity Securities | 1,119,422 | 1,575,126 | 1,575,126 | - | - |
| Exchange - Traded Funds | 228,590 | 294,391 | 294,391 | - | - |
| Debt Securities - Corporate | <u>403,378</u> | <u>401,159</u> | <u>-</u> | <u>401,159</u> | <u>-</u> |
| | <u>\$ 3,584,681</u> | <u>\$ 4,259,359</u> | <u>\$ 3,858,200</u> | <u>\$ 401,159</u> | <u>\$ -</u> |

Assets measured at fair value on a non-recurring basis as of December 31, 2017

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------|-------------------|----------------|----------------|-------------------|
| Pledges receivable | <u>\$ 358,628</u> | <u>\$ -</u> | <u>-</u> | <u>\$ 358,628</u> |

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note F

Property and Equipment

Property and equipment consisted of the following at December 31:

| | 2018 | 2017 |
|-------------------------------|---------------|---------------|
| Land | \$ 1,948,846 | \$ 1,948,846 |
| Buildings and improvements | 31,794,377 | 31,030,826 |
| Furniture and equipment | 3,590,686 | 3,386,719 |
| Construction in progress | 165,065 | - |
| | 37,498,974 | 36,366,391 |
| Less accumulated depreciation | (8,910,320) | (7,550,551) |
| | \$ 28,588,654 | \$ 28,815,840 |

Depreciation expense totaled \$1,359,769 and \$1,317,644 for the years ended December 31, 2018 and 2017, respectively.

Note G

Pledge Payable

During 2015, the Organization entered into a grant agreement. Under the terms of the agreement, the Organization received a stock gift of approximately \$1,500,000. Pursuant to the agreement, the Organization was to liquidate the securities and use the proceeds to establish a permanent endowment in the amount of \$114,500 and retain an additional \$12,500 to cover any associated expenses. The remaining amount was pledged to Children's Healthcare of Atlanta (CHOA).

Estimated payments to CHOA under the grant agreement outstanding as of December 31, 2018, are as follows:

| Year | Amount |
|------|------------|
| 2019 | \$ 307,274 |
| 2020 | 595,316 |
| | \$ 902,590 |

Note H

Note Payable

In 2014, the Organization obtained a construction loan with SunTrust bank that was secured by the Peachtree Dunwoody Ronald McDonald House. The agreement provided for advances of up to \$8,000,000. Interest only payments were due monthly. The loan bore interest at one-month LIBOR plus 1.45%. The loan was to mature on October 30, 2019. During the year ended December 31, 2017, the note payable was repaid in full.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note I

Endowment Funds

The state of Georgia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in July 2008. The Organization has interpreted 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 the explicit donor stipulations to the contrary. Accordingly, the classification of net assets with donor restrictions includes (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 endowment fund that is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

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 the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce a return that meets or exceeds market index, or blended market index selected by the Board of Directors while assuming a moderate level of investment risk (tolerating a maximum loss of 0% to 15% over any one year period).

Spending Policy:

The Organization has a policy in which the general rule of appropriating for distribution each year is up to 3% of its endowment fund's average assets over the prior 3 fiscal years preceding the fiscal year in which the distribution is planned. Spending may be approved for maintenance, specific programs or to contribute to the general operating budget of the charity. There is no minimum requirement for spending from the endowment in any given year. If it is determined that a distribution is not needed or not feasible in any given year, the distribution may be waived for the year. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift and to provide ARMHC with an incremental stream of income to be utilized to supplement other recurring sources of revenue for the charity.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

Note I

Endowment Funds (Continued)

Strategies Employed for Achieving Objectives:

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

The composition and changes in endowment net assets as of December 31, 2018 and 2017, are as follows:

| | <u>Quasi</u> <u>Endowment</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|---|----------------------------------|--|---------------------|
| Endowment net assets, December 31, 2016 | \$ 1,997,643 | \$ 616,076 | \$ 2,613,719 |
| Investment income | 180,868 | 7,678 | 188,546 |
| Net appreciation, less fees | <u>258,924</u> | <u>13,689</u> | <u>272,613</u> |
| Endowment net assets, December 31, 2017 | 2,437,435 | 637,443 | 3,074,878 |
| Investment income | 225,428 | 11,892 | 237,320 |
| Net depreciation, plus fees | <u>(408,345)</u> | <u>(24,113)</u> | <u>(432,458)</u> |
| Endowment net assets, December 31, 2018 | <u>\$ 2,254,518</u> | <u>\$ 625,222</u> | <u>\$ 2,879,740</u> |

Note J

Restricted Net Assets

Net assets designated by the Board of Directors consist of the following as of December 31:

| <u>Purpose</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------|---------------------|---------------------|
| Quasi endowment | \$ 2,254,518 | \$ 2,437,435 |
| Board-designated facility fund | <u>260,000</u> | <u>260,000</u> |
| Total | <u>\$ 2,514,518</u> | <u>\$ 2,697,435</u> |

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note J

Restricted Net Assets (Continued)

Net assets with donor restrictions are comprised of funds the Organization has received subject to donor-imposed purpose restrictions, time restrictions, or in perpetuity consist of the following:

| | <u>Restriction</u> | | | <u>Total</u> |
|---|---------------------|-------------------|-------------------|---------------------|
| | <u>Purpose</u> | <u>Time</u> | <u>Perpetuity</u> | |
| Restricted net assets, December 31, 2018, | | | | |
| Facility Fund | \$ 1,411,035 | \$ 50,000 | \$ - | \$ 1,461,035 |
| Donor-designated endowment | - | 14,472 | 610,750 | 625,222 |
| Family Room | 25,000 | 50,000 | - | 75,000 |
| Capital campaign | - | 34,283 | - | 34,283 |
| Care Mobile | 6,355 | - | - | 6,355 |
| House dog | <u>4,420</u> | <u>-</u> | <u>-</u> | <u>4,420</u> |
| Total | <u>\$ 1,446,810</u> | <u>\$ 148,755</u> | <u>\$ 610,750</u> | <u>\$ 2,206,315</u> |

| | <u>Restriction</u> | | | <u>Total</u> |
|---|---------------------|-------------------|-------------------|---------------------|
| | <u>Purpose</u> | <u>Time</u> | <u>Perpetuity</u> | |
| Restricted net assets, December 31, 2017, | | | | |
| Facility Fund | \$ 1,783,407 | \$ 70,000 | \$ - | \$ 1,853,407 |
| Donor-designated endowment | - | 26,693 | 610,750 | 637,443 |
| Capital campaign | - | 213,628 | - | 213,628 |
| Family Room | - | 75,000 | - | 75,000 |
| Scholarship | 29,043 | - | - | 29,043 |
| House dog | <u>5,206</u> | <u>-</u> | <u>-</u> | <u>5,206</u> |
| Total | <u>\$ 1,817,656</u> | <u>\$ 385,321</u> | <u>\$ 610,750</u> | <u>\$ 2,813,727</u> |

Note K

Required Payments to National Organization

The Organization has a license agreement with the National Organization (Ronald McDonald House Charities) which requires the Organization to remit, on at least a quarterly basis, 25% of all qualifying monetary contributions (net of normal and customary fund raising expenses) to the National Organization until the agreement is cancelled. For the years ended December 31, 2018 and 2017, a total of \$61,346 and \$56,583, respectively, was paid to the National Organization under this agreement.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note L

Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|--|----------------------------|
| Financial assets available for general expenditure within one year: | |
| Cash and cash equivalents | \$ 1,824,430 |
| Other receivables | 285,277 |
| Investments | 4,573,627 |
| Pledges receivable due in less than one year without donor imposed restrictions | <u>36,084</u> |
| Total financial assets available for general expenditure within one year | 6,719,418 |
| Financial assets that can be made available via Board resolution: | |
| Quasi endowment | 2,254,518 |
| Board-designated facility fund | <u>260,000</u> |
| Total financial assets available for general expenditure within one year including those that can be made available via Board resolution | \$ <u><u>9,233,936</u></u> |

In addition to the financial assets available for general expenditure without donor or other restrictions, the Organization also has financial assets in the amount of \$1,446,810 at December 31, 2018, consisting of funds stipulated by the donor for the Family Room, the Care Mobile Program, the House Dog, and facility repairs and maintenance of the two Atlanta Ronald McDonald Houses.

Liquidity Management

As part of the Organization's liquidity management, its investment policy requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently and with minimal impact on market price. The Organization maintains a policy of structuring its investments to be available as its operating expenditures, liabilities, and other obligations become due.

Investments valued at \$2,254,518 at December 31, 2018, are subject to an annual spending rate of up to 3%, as described in Note I. Although the Organization does not intend to spend from these investment funds outside of amounts appropriated for general expenditures pursuant to the Board's annual budget approval process, these amounts could be made available via Board resolution.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note M

Related Parties

During the years ended December 31, 2018 and 2017, the Organization received contributions from board members and other related parties totaling \$78,752 and \$241,461, respectively. Receivables from board members, employees, and other related parties at December 31, 2018 and 2017, totaled \$16,500 and \$101,328, respectively. In addition, companies owned by various board members donated marketing, accounting, and legal services to the Organization during 2018 and 2017 in amounts totaling \$305,034 and \$287,927, respectively.

Note N

Commitments

In 2007, the Organization signed an agreement with Children's Healthcare of Atlanta (CHOA) (whose facilities are served by the Organization's two houses at Gatewood Road and Peachtree Dunwoody Road in Atlanta). Under the terms of the agreement, a portion of the land on which the Peachtree Dunwoody location is housed was gifted to the Organization. If the land ever ceases to be used as a Ronald McDonald Charities location CHOA has an irrevocable right to repurchase the property for the fair market value of the improvements to the land.

CHOA is recognized as a regional treatment center of excellence and one of the top 10 children's hospitals in the country with nationally recognized programs for cancer, heart, and solid organ transplants. Management believes the demand for lodging and respite facilities will continue to increase. The leadership of the Organization, working with CHOA, has undertaken an analysis of the amount and type of additional space needed to serve current and future families.

Note O

Subsequent Events

The Organization evaluated subsequent events through July 24, 2019, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to the issuance of this report, that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
SCHEDULES OF SCHOLARSHIPS GRANTED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|------------------|-------------------|
| African-American Future Achievers | \$ 23,125 | \$ 43,313 |
| Asia Scholarship Program | 23,125 | 43,313 |
| Hacer Program | 23,125 | 43,312 |
| RMHC Atlanta Scholarship Program | <u>23,125</u> | <u>43,312</u> |
| Total Scholarships Granted | <u>\$ 92,500</u> | <u>\$ 173,250</u> |

See independent auditors' report