

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

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ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2017

Dear Friends of Atlanta Ronald McDonald House Charities:

Thank you to everyone who supported Atlanta Ronald McDonald House Charities (ARMHC) in 2017! We are very proud of our continued progress, growing our impact on children and families through our four programs – 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 two Ronald McDonald Houses hosted 2,203 families for 19,622 nights, 1,300 more nights than ever before. These families came from 138 counties in Georgia, 28 other states and two foreign countries. By providing welcoming rooms, meals, transportation and interesting activities that allow them to decompress, we are *keeping them close* to their children while they fight life threatening illnesses or injuries.

Our Ronald McDonald Care Mobile, established in October 2016, continued to expand its impact, growing from the original three schools to serving nine schools in the Atlanta Public School system. Over 500 children with asthma were seen in 1,100 visits by our expert staff, resulting in 25% improvement in lung function and significant reductions in missed school days, emergency room visits and inpatient hospital stays.

Our Scholarship program allowed us to provide support to 80 students going to college, many of whom would not be able to attend college without this support.

On August 29, we opened our first Ronald McDonald Family Room to serve families whose children are battling cancer at Children's at Scottish Rite. In the last four months of the year, we hosted approximately 5,900 visits to our Family Room, providing meals, support and a place of respite for families just steps away from their child's bedside.

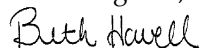
Today, not only are we serving families traveling to Atlanta for care for their child, we are also supporting families in our own community through our Care Mobile and Family Room programs.

Thanks to the generosity of the community, we exceeded our financial goals for 2017 for both operations and capital. In early 2017, we completed payments on the construction loan for our House near Scottish Rite which opened December 2015, allowing us to be debt-free.

We received a Charity Navigator 4-Star rating, their highest level, speaking to our commitment to transparency and fiscal responsibility. Program investments represent 84.4% of our total \$4.9 million expenses and reflect our strong commitment to investing in our mission. Our total net assets are over \$38 million with \$28.8 million in property and equipment and \$9 million in cash, investments and pledges receivable.

Finally, I want to extend a heartfelt "Thank You" to our donors, volunteers, Board of Directors and staff. Your support made these accomplishments possible and ensures we can serve thousands of children and families in our community and beyond.

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, 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 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

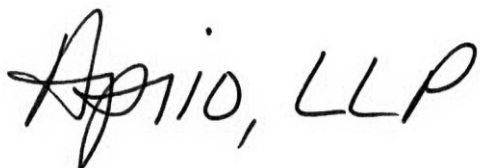
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Ronald McDonald House Charities, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 26 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 18, 2018

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,835,698	\$ 2,022,119	\$ -	\$ 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	-	3,648,609	610,750	4,259,359
Property and equipment, net	<u>28,815,840</u>	<u>-</u>	<u>-</u>	<u>28,815,840</u>
 Total assets	 <u>\$ 33,231,359</u>	 <u>\$ 6,029,356</u>	 <u>\$ 610,750</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>-</u>	<u>1,193,283</u>
 Total liabilities	 <u>1,471,867</u>	 <u>-</u>	 <u>-</u>	 <u>1,471,867</u>
 <u>NET ASSETS</u>				
Unrestricted	31,759,492	-	-	31,759,492
Temporarily restricted	-	6,029,356	-	6,029,356
Permanently restricted	<u>-</u>	<u>-</u>	<u>610,750</u>	<u>610,750</u>
 Total net assets	 <u>31,759,492</u>	 <u>6,029,356</u>	 <u>610,750</u>	 <u>38,399,598</u>
 Total liabilities and net assets	 <u>\$ 33,231,359</u>	 <u>\$ 6,029,356</u>	 <u>\$ 610,750</u>	 <u>\$ 39,871,465</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,185,608	\$ 731,375	\$ -	\$ 3,916,983
Other receivables	423,070	-	-	423,070
Pledges receivable	-	1,292,918	-	1,292,918
Prepaid expenses	28,343	-	-	28,343
Investments, at fair value	-	3,209,112	610,750	3,819,862
Property and equipment, net	<u>29,853,088</u>	<u>-</u>	<u>-</u>	<u>29,853,088</u>
 Total assets	 <u>\$ 33,490,109</u>	 <u>\$ 5,233,405</u>	 <u>\$ 610,750</u>	 <u>\$ 39,334,264</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 229,796	\$ -	\$ -	\$ 229,796
Pledge payable	1,360,500	-	-	1,360,500
Note payable, net	<u>151,831</u>	<u>-</u>	<u>-</u>	<u>151,831</u>
 Total liabilities	 <u>1,742,127</u>	 <u>-</u>	 <u>-</u>	 <u>1,742,127</u>
 <u>NET ASSETS</u>				
Unrestricted	31,747,982	-	-	31,747,982
Temporarily restricted	-	5,233,405	-	5,233,405
Permanently restricted	<u>-</u>	<u>-</u>	<u>610,750</u>	<u>610,750</u>
 Total net assets	 <u>31,747,982</u>	 <u>5,233,405</u>	 <u>610,750</u>	 <u>37,592,137</u>
 Total liabilities and net assets	 <u>\$ 33,490,109</u>	 <u>\$ 5,233,405</u>	 <u>\$ 610,750</u>	 <u>\$ 39,334,264</u>

See accompanying notes

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 3,149,047	\$ 1,228,245	\$ -	\$ 4,377,292
Special events revenue	1,375,518	-	-	1,375,518
Less: direct benefit cost	<u>(560,147)</u>	<u>-</u>	<u>-</u>	<u>(560,147)</u>
Special events revenue, net	815,371	-	-	815,371
Room rental	108,489	-	-	108,489
Other income	10,756	-	-	10,756
Net assets released from restrictions	<u>904,943</u>	<u>(904,943)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>4,988,606</u>	<u>323,302</u>	<u>-</u>	<u>5,311,908</u>
<u>EXPENSES</u>				
Program	4,152,691	-	-	4,152,691
Supporting services:				
General and administrative	290,812	-	-	290,812
Fundraising	477,010	-	-	477,010
Unallocated payments to National Organization	<u>56,583</u>	<u>-</u>	<u>-</u>	<u>56,583</u>
Total expenses	<u>4,977,096</u>	<u>-</u>	<u>-</u>	<u>4,977,096</u>
Change in net assets from operations	11,510	323,302	-	334,812
Investment return	<u>-</u>	<u>472,649</u>	<u>-</u>	<u>472,649</u>
Change in net assets	11,510	795,951	-	807,461
Net assets at beginning of year	<u>31,747,982</u>	<u>5,233,405</u>	<u>610,750</u>	<u>37,592,137</u>
Net assets at end of year	<u>\$ 31,759,492</u>	<u>\$ 6,029,356</u>	<u>\$ 610,750</u>	<u>\$ 38,399,598</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUE AND OTHER SUPPORT</u>				
Contributions	\$ 2,516,199	\$ 616,725	\$ -	\$ 3,132,924
Special events revenue	1,416,008	-	-	1,416,008
Less: direct benefit cost	<u>(596,084)</u>	<u>-</u>	<u>-</u>	<u>(596,084)</u>
Special events revenue, net	819,924	-	-	819,924
Room rental	109,434	-	-	109,434
Other income	9,088	-	-	9,088
Net assets released from restrictions	<u>1,143,393</u>	<u>(1,143,393)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>4,598,038</u>	<u>(526,668)</u>	<u>-</u>	<u>4,071,370</u>
<u>EXPENSES</u>				
Program	3,638,427	-	-	3,638,427
Supporting services:				
General and administrative	392,703	-	-	392,703
Fundraising	498,699	-	-	498,699
Unallocated payments to National Organization	<u>74,249</u>	<u>-</u>	<u>-</u>	<u>74,249</u>
Total expenses	<u>4,604,078</u>	<u>-</u>	<u>-</u>	<u>4,604,078</u>
Change in net assets from operations	(6,040)	(526,668)	-	(532,708)
Investment return	<u>-</u>	<u>141,585</u>	<u>-</u>	<u>141,585</u>
Change in net assets	(6,040)	(385,083)	-	(391,123)
Net assets at beginning of year	<u>31,754,022</u>	<u>5,618,488</u>	<u>610,750</u>	<u>37,983,260</u>
Net assets at end of year	<u>\$ 31,747,982</u>	<u>\$ 5,233,405</u>	<u>\$ 610,750</u>	<u>\$ 37,592,137</u>

See 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	\$ 1,025,102	\$ 30,856	\$ 37,914	\$ 101,434	\$ 1,195,306	\$ 96,263	\$ 342,935	\$ 1,634,504
Maintenance and repair	279,788	-	-	95,000	374,788	-	-	374,788
Utilities	248,333	-	-	-	248,333	-	-	248,333
Supplies	209,794	-	-	3,963	213,757	-	-	213,757
Scholarships granted	-	173,250	-	-	173,250	-	-	173,250
Office and administrative expenses	3,227	2,472	-	-	5,699	115,705	-	121,404
Technology	62,025	-	-	-	62,025	35,640	-	97,665
Indirect fundraising	252	-	-	-	252	28,989	52,805	82,046
Direct mail	-	-	-	-	-	-	72,501	72,501
Other	59,908	-	-	-	59,908	-	6,159	66,067
Professional fees	55,558	-	-	-	55,558	-	-	55,558
Insurance	42,256	174	174	-	42,604	3,569	2,610	48,783
Printing and publishing	22,776	-	-	-	22,776	3,000	-	25,776
Interest	-	-	-	-	-	631	-	631
Total expenses before depreciation and donated materials and services	2,009,019	206,752	38,088	200,397	2,454,256	283,797	477,010	3,215,063
Depreciation	1,310,629	-	-	-	1,310,629	7,015	-	1,317,644
Donated materials and services	387,806	-	-	-	387,806	-	-	387,806
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>\$ 477,010</u>	<u>\$ 4,920,513</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				General and Administrative	Fundraising	Total
	House Operations	Grant Making	Care Mobile	Total			
Salaries and related expenses	\$ 982,243	\$ 32,620	\$ 48,221	\$ 1,063,084	\$ 97,749	\$ 309,842	\$ 1,470,675
Maintenance and repair	293,641	-	-	293,641	-	-	293,641
Utilities	268,863	-	-	268,863	-	-	268,863
Supplies	212,530	-	-	212,530	-	-	212,530
Scholarships granted	-	142,635	-	142,635	-	-	142,635
Office and administrative expenses	2,730	2,123	-	4,853	93,079	1,576	99,508
Technology	15,202	-	-	15,202	67,116	-	82,318
Indirect fundraising	-	-	-	-	56,215	72,138	128,353
Direct mail	-	-	-	-	-	64,154	64,154
Other	27,853	-	138	27,853	-	6,894	34,747
Professional fees	58,066	-	-	58,066	-	-	58,066
Insurance	26,056	105	105	26,161	3,053	-	29,214
Printing and publishing	17,314	-	-	17,314	21,158	-	38,472
Interest	-	-	-	-	49,400	-	49,400
Total expenses before depreciation and donated materials and services	1,904,498	177,483	48,464	2,130,445	387,770	454,604	2,972,819
Depreciation	1,296,201	-	-	1,296,201	4,933	44,095	1,345,229
Donated materials and services	211,781	-	-	211,781	-	-	211,781
Total functional expenses	<u>\$ 3,412,480</u>	<u>\$ 177,483</u>	<u>\$ 48,464</u>	<u>\$ 3,638,427</u>	<u>\$ 392,703</u>	<u>\$ 498,699</u>	<u>\$ 4,529,829</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Operating activities:</u>		
Change in net assets	\$ 807,461	\$ (391,123)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,317,644	1,345,229
Amortization of loan costs	631	29,334
Realized gain on sales of investments	(116,479)	(215,114)
Unrealized gain (loss) on investments	(286,131)	125,683
Change in present value discount on pledges receivable	-	(28,732)
(Increase) decrease in assets:		
Other receivables	(111,556)	(272,568)
Pledges receivable	934,290	1,316,808
Prepaid expenses	(16,852)	(21,584)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(34,917)	(965,608)
Deferred revenue	83,706	(13,000)
Net cash provided by operating activities	2,577,797	909,325
<u>Investing activities:</u>		
Purchase of property and equipment	(280,396)	(75,815)
Proceeds from sale of investments	837,522	854,465
Net income reinvested and purchase of investments	(874,410)	(1,168,847)
Net cash used in investing activities	(317,284)	(390,197)
<u>Financing activities:</u>		
Payment on pledge payable	(167,217)	-
Principal payments on construction loan	(152,462)	(1,052,240)
Net cash used in financing activities	(319,679)	(1,052,240)
Net increase (decrease) in cash and cash equivalents	1,940,834	(533,112)
Cash and cash equivalents at beginning of year	3,916,983	4,450,095
Cash and cash equivalents at end of year	\$ 5,857,817	\$ 3,916,983

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$ 475	\$ 20,912
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See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2016, the Organization acquired property and equipment in the amount of \$75,000 through accounts payable and accrued expenses.

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

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

Net Asset Classification:

The accompanying financial statements have been prepared in accordance with standards set for accounting for contributions received and contributions made and also financial statements for not-for-profit organizations and the associated industry accounting and audit guide. Under these guidelines, contributions of cash and other assets are classified as one of the following categories:

Unrestricted – The part of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted – The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently Restricted – The part of the net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received from donors with permanent restriction are maintained as permanently restricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction has been met or expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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.

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. Management has determined that no allowance was necessary at December 31, 2017 or 2016.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note B

Summary of Significant Accounting Policies (Continued)

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 unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations, or by law. Investment income and gains and losses on investments whose use is temporarily restricted by explicit donor stipulation, or by law, but whose restrictions expire in the same reporting period as earned, are reported as unrestricted investment income.

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

Impairment of Long-Lived Assets:

Long-lived assets and intangible 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 2017 and 2016.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note B

Summary of Significant Accounting Policies (Continued)

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.

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, fundraising activity, or membership development 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, 2017 or 2016. The Organization is no longer subject to income tax examinations for calendar years prior to 2014.

Amortization of Loan Costs:

Loan costs incurred by the Organization to obtain the note payable are 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, 2016, have been reclassified to conform with the current year presentation.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note C

Pledges Receivable

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

	<u>2017</u>	<u>2016</u>
Due in one year or less	\$ 265,503	\$ 1,130,875
One to five years	<u>93,125</u>	<u>162,043</u>
Pledges receivable	<u>\$ 358,628</u>	<u>\$ 1,292,918</u>

Note D

Investments

Investments consisted of the following at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 1,874,183	\$ 114,500	\$ 1,988,683
Equity Securities	-	1,078,876	496,250	1,575,126
Exchange -Traded Funds	-	294,391	-	294,391
Debt Securities - Corporate	<u>-</u>	<u>401,159</u>	<u>-</u>	<u>401,159</u>
	<u>\$ -</u>	<u>\$ 3,648,609</u>	<u>\$ 610,750</u>	<u>\$ 4,259,359</u>

Investments consisted of the following at December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 1,703,414	\$ 114,500	\$ 1,817,914
Equity Securities	-	862,846	496,250	1,359,096
Exchange-Traded Funds	-	246,364	-	246,364
Debt Securities - Corporate	<u>-</u>	<u>396,488</u>	<u>-</u>	<u>396,488</u>
	<u>\$ -</u>	<u>\$ 3,209,112</u>	<u>\$ 610,750</u>	<u>\$ 3,819,862</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 96,172	\$ 74,159
Realized gains	116,479	215,114
Unrealized gains (losses)	286,131	(125,683)
Less: investment expenses	<u>(26,133)</u>	<u>(22,005)</u>
	<u>\$ 472,649</u>	<u>\$ 141,585</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 in active markets that the Organization has the ability to access.

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.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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>

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2016:

Assets measured at fair value on a recurring basis as of December 31, 2016

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 1,838,441	\$ 1,817,914	\$ 1,817,914	\$ -	\$ -
Equity Securities	1,088,630	1,359,096	1,359,096	-	-
Exchange-Traded Funds	228,590	246,364	246,364	-	-
Debt Securities - Corporate	<u>401,167</u>	<u>396,488</u>	<u>-</u>	<u>396,488</u>	<u>-</u>
	<u>\$ 3,556,828</u>	<u>\$ 3,819,862</u>	<u>\$ 3,423,374</u>	<u>\$ 396,488</u>	<u>\$ -</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note E

Fair Value Measurements (Continued)

Assets measured at fair value on a non-recurring basis as of December 31, 2016

	Fair Value	Level 1	Level 2	Level 3
Pledges receivable	\$ <u>1,292,918</u>	\$ <u>-</u>	<u>-</u>	\$ <u>1,292,918</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.

Note F

Property and Equipment

Property and equipment consisted of the following at December 31:

	2017	2016
Land	\$ 1,948,846	\$ 1,948,846
Buildings and improvements	31,030,826	30,994,399
Furniture and equipment	<u>3,386,719</u>	<u>3,142,750</u>
	36,366,391	36,085,995
Less accumulated depreciation	<u>(7,550,551)</u>	<u>(6,232,907)</u>
	<u>\$ 28,815,840</u>	<u>\$ 29,853,088</u>

Depreciation expense totaled \$1,317,644 and \$1,345,229 for the years ended December 31, 2017 and 2016, 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).

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note G

Pledge Payable (Continued)

Estimated payments to CHOA under the grant agreement outstanding as of December 31, 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 546,510
2019	564,064
2020	<u>82,709</u>
	<u>\$ 1,193,283</u>

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. At December 31, 2016, the loan balance was \$152,462. During the year ended December 31, 2017, the note payable was repaid in full.

In connection with obtaining the note payable, the Organization paid loan costs in the amount of \$39,085. As of December 31, 2017 and 2016, the unamortized loan costs totaled \$0 and \$631, respectively.

During the years ended December 31, 2017 and 2016, interest expense incurred was \$631 and \$49,400, respectively, which includes amortization of loan costs of \$631 and \$29,334, respectively.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note I

Donor-Designated Endowments

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

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

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).

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note I

Donor-Designated Endowments (Continued)

Spending Policy

The Organization has a policy in which the general rule of appropriating for distribution each year is 3% of its endowment fund's average appreciation 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.

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, 2017 and 2016, are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ -	\$ 3,002,958	\$ 610,750	\$ 3,613,708
Contributions	-	235,879	-	235,879
Investment income	-	289,273	-	289,273
Net depreciation, plus fees	<u>-</u>	<u>(147,688)</u>	<u>-</u>	<u>(147,688)</u>
Endowment net assets, December 31, 2016	-	3,380,422	610,750	3,991,172
Investment income	-	212,651	-	212,651
Net appreciation, less fees	<u>-</u>	<u>259,998</u>	<u>-</u>	<u>259,998</u>
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 3,853,071</u>	<u>\$ 610,750</u>	<u>\$ 4,463,821</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note J

Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Organization has received subject to donor-imposed restrictions or time restrictions consisting of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Time restrictions:		
Capital campaign	\$ 213,628	\$ 1,052,918
Maintenance reserve	70,000	240,000
Family room	<u>75,000</u>	<u>-</u>
Total time restrictions	<u>358,628</u>	<u>1,292,918</u>
Purpose restrictions:		
Donor-designated endowment	3,853,071	3,380,422
Maintenance reserve	1,783,407	560,065
Scholarship	28,828	-
House dog	5,206	-
Grants for excellence	<u>216</u>	<u>-</u>
Total purpose restrictions	<u>5,670,728</u>	<u>3,940,487</u>
Total temporarily restricted net assets	<u>\$ 6,029,356</u>	<u>\$ 5,233,405</u>

Permanently restricted net assets consist of endowment funds with earnings designated for program support. Permanently restricted net assets totaled \$610,750 as of both December 31, 2017 and 2016.

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 by either party. For the years ended December 31, 2017 and 2016, a total of \$56,583 and \$74,249, respectively, was paid to the National Organization under this agreement. Included in accounts payable and accrued expenses at December 31, 2017 and 2016, is \$0 and \$20,173, respectively, owed to the National Organization under this agreement.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note L

Related Parties

During the years ended December 31, 2017 and 2016, the Organization received contributions from board members and other related parties totaling \$241,461 and \$174,090, respectively. Receivables from board members, employees, and other related parties at December 31, 2017 and 2016, totaled \$101,328 and \$702,083, respectively. In addition, companies owned by various board members donated marketing, accounting, and legal services to the Organization during 2017 and 2016 in amounts totaling \$287,927 and \$99,002, respectively.

Note M

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 N

Subsequent Events

The Organization evaluated subsequent events through July 18, 2018, 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, 2017 AND 2016

	2017	2016
African-American Future Achievers	\$ 43,313	\$ 40,500
Asia Scholarship Program	43,313	26,000
Hacer Program	43,312	35,000
RMHC Atlanta Scholarship Program	43,312	41,135
Total Scholarships Granted	\$ 173,250	\$ 142,635

See independent auditors' report