

**RONALD MCDONALD HOUSE CHARITIES OF
OKLAHOMA CITY, INC.**

OKLAHOMA CITY, OKLAHOMA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	4-5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Founded in 1954

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the Board of Directors
Ronald McDonald House Charities of Oklahoma City, Inc.

We have audited the accompanying financial statements of Ronald McDonald House Charities of Oklahoma City, 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.

Auditor's Responsibility

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

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

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Oklahoma City, 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.

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
May 15, 2019

RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,404,048	\$ 1,312,553
Accounts Receivable, Net	48,289	50,807
Promises to Give for Program Expansion, Net	362,077	260,188
Prepaid Expenses	39,842	29,034
Cash Restricted for Program Expansion	2,416,577	418,792
Total Current Assets	6,270,833	2,071,374
NONCURRENT ASSETS		
Promises to Give for Program Expansion, Net	808,879	268,216
Operating Investments	572,772	872,995
Endowment Investments	1,834,589	1,955,785
Investments Restricted for Program Expansion	1,102,029	-
Property and Equipment, Net	1,141,498	2,263,826
Total Noncurrent Assets	5,459,767	5,360,822
Total Assets	\$ 11,730,600	\$ 7,432,196
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 126,759	\$ 104,247
Deferred Revenue	2,000	29,176
Total Current Liabilities	128,759	133,423
Total Liabilities	128,759	133,423
NET ASSETS		
Without Donor Restrictions	5,077,693	4,144,436
With Donor Restrictions	6,524,148	3,154,337
Total Net Assets	11,601,841	7,298,773
Total Liabilities and Net Assets	\$ 11,730,600	\$ 7,432,196

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 515,481	\$ 3,682,748	\$ 4,198,229	\$ 970,954	\$ 1,547,073	\$ 2,518,027
Special Events Revenue	352,741	100,123	452,864	298,441	92,140	390,581
Room Donations/Fees	-	-	-	-	-	-
Other Income	318,769	-	318,769	-	-	-
Net Assets Released from Restrictions	301,293	(301,293)	-	456,786	(456,786)	-
Total Revenues and Other Support	<u>1,488,284</u>	<u>3,481,578</u>	<u>4,969,862</u>	<u>1,726,181</u>	<u>1,182,427</u>	<u>2,908,608</u>
EXPENSES						
Program Services	969,895	-	969,895	1,157,150	-	1,157,150
Cost of Direct Benefits to Donors	36,772	-	36,772	61,152	-	61,152
Management and General Administration	316,863	-	316,863	152,424	-	152,424
Fundraising	480,906	-	480,906	355,398	-	355,398
Total Expenses	<u>1,804,436</u>	<u>-</u>	<u>1,804,436</u>	<u>1,726,124</u>	<u>-</u>	<u>1,726,124</u>
Unallocated Payments to RMHC Global				30,533		30,533
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(316,152)</u>	<u>3,481,578</u>	<u>3,165,426</u>	<u>(30,476)</u>	<u>1,182,427</u>	<u>1,151,951</u>
GAIN ON SALE OF PROGRAM LOCATION	1,267,426		1,267,426			
INVESTMENT INCOME, NET	<u>(18,017)</u>	<u>(111,767)</u>	<u>(129,784)</u>	<u>91,217</u>	<u>273,794</u>	<u>365,011</u>
CHANGE IN NET ASSETS	933,257	3,369,811	4,303,068	60,741	1,456,221	1,516,962
Net Assets - Beginning of Year	<u>4,144,436</u>	<u>3,154,337</u>	<u>7,298,773</u>	<u>4,083,695</u>	<u>1,698,116</u>	<u>5,781,811</u>
NET ASSETS - END OF YEAR	<u>\$ 5,077,693</u>	<u>\$ 6,524,148</u>	<u>\$ 11,601,841</u>	<u>\$ 4,144,436</u>	<u>\$ 3,154,337</u>	<u>\$ 7,298,773</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House Lottie	Ronald McDonald Family Room	Ronald McDonald House The Children's Hospital						
Salaries	\$ 11,730	\$ 52,516	\$ 215,115	\$ 279,361	\$ 211,501	\$ 155,384	\$ -	\$ 646,246	
Employee Benefits	419	3,576	15,785	19,780	9,847	9,046	-	38,673	
Payroll Taxes	1,167	5,033	18,741	24,941	14,761	13,491	-	53,193	
Total Salaries and Related Expenses	13,316	61,125	249,641	324,082	236,109	177,921	-	738,112	
Advertising	-	-	-	-	-	6,627	-	6,627	
Automobile	-	-	-	-	431	-	-	431	
Cleaning Services and Supplies	31	288	28,399	28,718	-	-	-	28,718	
Depreciation	-	25,696	78,238	103,934	4,150	1,412	-	109,496	
Donor Recognition	-	-	-	-	-	1,889	-	1,889	
Family Support Services and Supplies	207	3,152	262,291	265,650	-	-	-	265,650	
Grants	-	-	-	-	-	-	-	-	
Insurance	3,879	-	8,420	12,299	2,896	-	-	15,195	
Maintenance and Repairs	-	-	1,503	1,503	321	-	-	1,824	
Meetings, Education and Training	-	-	820	820	1,476	1,636	-	3,932	
Office Supplies	253	280	2,062	2,595	4,707	6,504	-	13,806	
Postage and Courier	2,704	-	-	2,704	360	2,853	-	5,917	
Printing and Publishing	-	-	-	-	-	3,304	-	3,304	
Professional Fees	7,808	-	-	7,808	24,142	158,301	-	190,251	
Rent	-	41,233	90,000	131,233	18,333	-	-	149,566	
Technology	-	-	-	-	415	18,658	-	19,073	
Telephone	578	-	4,573	5,151	6,523	-	-	11,674	
Travel, Meals, and Entertainment	191	-	1,085	1,276	4,613	4,268	36,772	46,929	
Utilities	3,447	-	-	3,447	-	-	-	3,447	
Volunteer Resources and Recognition	-	-	-	-	-	-	-	-	
Other	4,625	1,028	73,022	78,675	12,387	97,533	-	188,595	
Total Expenses	\$ 37,039	\$ 132,802	\$ 800,054	\$ 969,895	\$ 316,863	\$ 480,906	\$ 36,772	\$ 1,804,436	

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services					Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House Lottie	Ronald McDonald Family Room	Ronald McDonald House The Children's Hospital	Grants and Scholarships	Total				
Salaries	\$ 131,939	\$ 69,208	\$ 166,628	\$ 13,038	\$ 380,813	\$ 78,948	\$ 127,100	\$ -	\$ 586,861
Employee Benefits	9,572	5,403	11,423	-	26,398	4,617	2,573	-	33,588
Payroll Taxes	11,959	6,119	14,630	1,023	33,731	4,104	10,513	-	48,348
Total Salaries and Related Expenses	153,470	80,730	192,681	14,061	440,942	87,669	140,186	-	668,797
Advertising	-	-	-	-	-	-	9,338	-	9,338
Automobile	362	-	-	-	362	-	-	-	362
Cleaning Services and Supplies	16,365	575	17,770	-	34,710	-	-	-	34,710
Depreciation	65,805	25,341	78,481	-	169,627	-	2,270	-	171,897
Donor Recognition	-	-	-	-	-	-	3,303	-	3,303
Family Support Services and Supplies	38,802	5,930	25,408	-	70,140	-	-	-	70,140
Grants	-	-	-	113,000	113,000	-	-	-	113,000
Insurance	21,721	-	-	-	21,721	-	-	-	21,721
Maintenance and Repairs	35,188	-	510	-	35,698	-	-	-	35,698
Meetings, Education and Training	-	-	401	-	401	13,746	-	61,152	75,299
Office Supplies	2,543	331	1,808	-	4,682	1,284	1,058	-	7,024
Postage and Courier	-	-	-	-	-	-	-	-	-
Printing and Publishing	-	-	-	-	-	-	3,208	-	3,208
Professional Fees	3,685	1,847	6,555	-	12,087	31,646	150,113	-	193,846
Rent	-	41,234	90,000	-	131,234	-	-	-	131,234
Technology	-	-	-	-	-	-	4,877	-	4,877
Telephone	-	-	-	-	-	-	-	-	-
Travel, Meals, and Entertainment	-	-	-	-	-	764	831	-	1,595
Utilities	33,676	-	4,379	-	38,055	-	-	-	38,055
Volunteer Resources and Recognition	1,694	-	-	-	1,694	-	-	-	1,694
Other	22,246	2,891	55,349	2,311	82,797	17,315	40,214	-	140,326
Total Functional Expenses	\$ 395,557	\$ 158,879	\$ 473,342	\$ 129,372	\$ 1,157,150	\$ 152,424	\$ 355,398	\$ 61,152	\$ 1,726,124
Unallocated Payments to RMHC Global									30,533
Total Expenses	\$ 395,557	\$ 158,879	\$ 473,342	\$ 129,372	\$ 1,157,150	\$ 152,424	\$ 355,398	\$ 61,152	\$ 1,756,657

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	\$ 4,303,068	\$ 1,516,962
Adjustments to Reconcile Change in Net Assets to Net Cash		
From (Used for) Operating Activities:		
Depreciation Expense	109,496	171,897
Non-Cash Contributions of Property and Equipment	-	(264,601)
Net Unrealized (Gain)/Loss on Investments	281,782	(246,548)
(Gain)/Loss on Sale of Assets	(1,286,021)	252
Changes in Operating Assets and Liabilities:		
Receivables and Promises to Give	(640,034)	(548,677)
Prepaid Expenses	(10,808)	(12,958)
Accounts Payable, Accrued Liabilities, and Deferred Revenue	(4,664)	21,985
	2,752,819	638,312
Net Cash Provided by (Used in) Operating Activities		
Cash Flows From Investing Activities		
Purchases of Property and Equipment	(1,147)	(48,830)
Proceeds from Disposition of Property and Equipment	2,300,000	-
Purchases of Investments	(1,242,900)	(113,271)
Proceeds from Sales of Investments	280,508	-
	1,336,461	(162,101)
Net Cash Provided by (Used in) Investing Activities		
Net Increase in Cash, Cash Equivalents, and Restricted Cash	4,089,280	476,211
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	1,731,345	1,255,134
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 5,820,625	\$ 1,731,345

The accompanying notes are an integral part of these financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Oklahoma City, Inc. ("RMHC-OKC" or the "Organization") is an Oklahoma nonprofit charitable corporation formed in June 1980. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities of Oklahoma City, Inc.

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Oklahoma City, which provides temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

In response to the growing demand for our services, RMHC-OKC conducted a community needs assessment with partner hospitals in 2016. Using historical and projected data provided by this assessment and a well-honed model from Ronald McDonald House Charities, Inc. (RMHC Global), we determined the number of families needing a place to stay for medical purposes would continue to grow significantly over the next 5-10 years. The assessment concluded our programs would need to grow from the current 28 room capacity to 76 rooms nightly.

Forty rooms, 12 more than our total existing capacity, would be needed to meet the projected demand for our services by families seeking treatment at The Children's Hospital alone. Another 36 rooms would be needed to meet the needs of families seeking treatment at other partner hospitals.

As part of its strategic plan to help close the service gap, in 2017 the Board of Directors approved the sale of the Ronald McDonald House on NE 14th St, its consolidation with and expansion of the Ronald McDonald House at The Children's Hospital, and authorized an \$8.8M campaign to build a new 36 bedroom Ronald McDonald House in Northwest Oklahoma City. Up to 14 families nightly are temporarily being served in a nearby hotel to maintain capacity until the consolidation and expansion of the Ronald McDonald House at The Children's Hospital are completed.

The sale of the House was completed in 2018 for a purchase price of \$2,300,000. In conjunction with this sale, the Organization recognized a gain of \$1,286,021 and incurred

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

related legal/selling expenses of \$18,595, for a net recognized gain of \$1,267,426, shown in the statements of activities.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program in The Children's Hospital serves as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Estimates

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

Cash Equivalents

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. If necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes

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

that all accounts are fully collectible and that no allowance for uncollectible receivables is necessary at of both December 31, 2018 and 2017.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Promises to give are written off when deemed uncollectible.

Investments

The Organization carries investments (or participates in master investment accounts) in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	20 - 50 Years
Office Furniture and Equipment	3 - 10 Years
Vehicles	5 Years

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Donated Assets, Property and Equipment, and Services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

Net Assets

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

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expenses

The statements of functional expenses report actual expenses that do not require allocation.

Liquidity

The Organization has \$6,270,833 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which consists of the current assets per the statement of financial position, reduced by \$2,416,577 cash and \$362,077 contributions receivable not available for general use because of donor-imposed restrictions.

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments. In addition, the Organization maintains an operating reserve that allows for annual spending.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In

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

addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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

Reclassifications

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

NOTE 2 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31:

	2018	2017
Amounts due in:		
Less than One Year	\$ 362,077	\$ 260,188
One to Five Years	857,231	280,906
Total	1,219,308	541,094
Unamortized Discount	(48,352)	(12,690)
Net Promises to Give	\$ 1,170,956	\$ 528,404

The discount rate used for the years ended December 31, 2018 and 2017 ranged from 2.76% to 3.13%.

NOTE 3 FAIR VALUE MEASUREMENTS

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

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

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

The fair values of assets measured on a recurring basis as of December 31, 2018 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments:				
Mutual Funds:				
Money Market	\$ 281,054	\$ -	\$ -	\$ 281,054
Bonds	753,224	-	-	753,224
Equity Funds	1,574,210	-	-	1,574,210
Debt Securities:				
U.S. Treasury	900,902	-	-	900,902
Total Assets	<u>\$3,509,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,509,390</u>

The fair values of assets measured on a recurring basis as of December 31, 2017 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments:				
Mutual Funds:				
Money Market	\$ 340,886	\$ -	\$ -	\$ 340,886
Bonds	743,055	-	-	743,055
Equity Funds	1,744,839	-	-	1,744,839
Total Assets	<u>\$2,828,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,828,780</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers.

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

Major investment decisions are authorized by the Board of Directors which oversees the Organization's investment program in accordance with established guidelines.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Interest and Dividend Income	\$ 151,998	\$ 118,463
Realized and Unrealized Gains, Net	(281,782)	246,548
Investment Income, Net	<u>\$ (129,784)</u>	<u>\$ 365,011</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2018	2017
Land	\$ -	\$ 4,505
Buildings and Improvements	1,431,088	3,115,146
Construction in Progress	36,140	36,140
Office Furniture and Equipment	310,792	400,538
Automobiles	31,359	31,359
Total, at Cost	<u>1,809,379</u>	<u>3,587,688</u>
Accumulated Depreciation	<u>(667,881)</u>	<u>(1,323,862)</u>
Total Property and Equipment	<u>\$ 1,141,498</u>	<u>\$ 2,263,826</u>

NOTE 5 ENDOWMENT FUNDS

The Organization's endowment consists of an individual fund established by a donor to provide annual funding for specific activities and general operations.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments

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

- (6) Other resources of the Organization
- (7) The Organization's investment policies

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies for endowment funds that facilitate its ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return that is consistent with historical returns of assets allocated 60% equity and 40% fixed income and non-equity investments. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from the expected investment return.

To satisfy its long-term rate-of-return objectives, RMHC relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization's investment policy relating to its investment objectives allocates its assets through a prudent diversification that includes equity, fixed income, and non-equity investments. The policy allows portions of the endowment portfolio in excess of permanently restricted amounts to be split into a separate portfolio where it may be appropriated for expenditures approved by the Board of Directors.

Spending Policy – Donor-restricted endowment. The Organization has a policy of making available for appropriation a maximum five percent of its endowment fund's average fair value over the prior eight quarters through the calendar year end proceeding the year in which the distribution is planned. This spending policy is consistent with the objective to preserve purchasing power of the endowment assets held as well as to allow for additional real growth through new gifts and investment return.

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$1,955,785	\$1,955,785
Investment return, net	-	(121,196)	(121,196)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$1,834,589</u>	<u>\$1,834,589</u>

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

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$1,681,991	\$1,681,991
Investment return, net	-	273,794	273,794
Endowment net assets, end of year	<u>\$ -</u>	<u>\$1,955,785</u>	<u>\$1,955,785</u>

Fund Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Subject to expenditure for specific purpose:		
Program Activities:		
Program Expansion – The Children’s Hospital	\$ 2,448,211	\$ -
Program Expansion - NW OKC	2,241,348	1,198,552
Endowment Funds Yet to be Appropriated		
For Expenditure	<u>1,335,774</u>	<u>1,456,970</u>
	<u>6,025,333</u>	<u>2,655,522</u>
Subject to the Organization’s spending policy and appropriation:		
Other Restrictions:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	498,815	498,815
Total net assets with donor restrictions	<u>\$ 6,524,148</u>	<u>\$ 3,154,337</u>

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

NOTE 7 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2018 and 2017:

	2018	2017
Purpose restrictions accomplished:		
Program Expansion – The Children’s Hospital	\$ 1,889	\$ -
Program Expansion - NW OKC	199,281	158,278
Scholarships Paid	-	73,000
RMHC Global Grant	-	30,000
Family Room	-	20,491
Share-a-Night	100,123	175,017
Total restrictions released	\$ 301,293	\$ 456,786

NOTE 8 DONATED GOODS AND SERVICES

Individuals, businesses, and other organizations contribute substantial amounts of materials toward the fulfillment of the Organization’s mission. To the extent that contributions of materials are made under the control of RMHC-OKC and are objectively measurable, they are reflected in public support, program expense and property in the accompanying financial statements. These materials have been valued at their estimated fair market value at the date of receipt.

The Organization entered into an agreement with OU Medicine Inc. to lease the space of the Family Room in The Children’s Hospital. The space consists of 2,499 square feet, which consists of respite room for families of patients at The Children’s Hospital. Rent expense of \$41,234 each year in 2018 and 2017 is reported as an in-kind donation income and rent expense. The lease agreement expired on December 31, 2016 and is extended through automatic one-year extension terms as provided in the lease agreement.

The Organization entered into an agreement with UHAT (University Hospitals Authority & Trust) to lease the space for the 14 bedroom Ronald McDonald House on the 3rd Floor of Garrison Tower. The space consists of 10,077 square feet, which consists of lodging and other amenities for families of patients at The Children’s Hospital. Rent expense of \$90,000 each year in 2018 and 2017 is reported as an in-kind donation income and rent expense. The lease agreement expires on January 6, 2020 and management intends to exercise the option of a five year renewal as provided in the lease agreement.

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Program Expenses	\$ 132,297	\$ 125,505
Red Shoe Gala Auction	50,546	67,102
Rent	131,234	131,234
Total	\$ 314,077	\$ 323,841

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

NOTE 9 TRANSACTIONS WITH RELATED ENTITIES

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

RMHC Global, a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2018 and 2017, the Organization received \$172,339 and \$177,498, respectively, from these revenue streams.

The Organization also participated in a scholarship program in which RMHC Global matched scholarship contributions for qualifying college students in the RMHC-OKC region. The program was discontinued in 2017.

In 2017, RMHC-OKC received a Grant of Excellence from RMHC Global in the amount of \$25,000, and this grant program was not offered in 2018.

In 2018, RMHC-OKC received an expansion grant from RMHC Global in the amount of \$2,400,000.

Accounts receivable due from related parties included in receivables at December 31, 2018 and 2017 was \$42,988 and \$48,907, respectively.

After 100% participation by all employees and board members in the Northwest Oklahoma City program expansion campaign, amounts due from employees and board members included in promises to give at December 31, 2018 and 2017 were \$141,780 and \$144,095, respectively.

During 2018, RMHC-OKC entered into a lease agreement for temporary office space with a related party. Under this agreement, the Organization paid or will pay monthly rent of \$1,667 for the period February 1, 2018 through January 31, 2019 and then will continue on a month-to-month basis until construction has been completed.

NOTE 10 SUBSEQUENT EVENTS

Management evaluated subsequent events through May 15, 2019, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

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

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLES

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- Unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The temporarily 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 disclosure about liquidity and availability of resources (Note 1)
- Investment expenses are included in net investment return

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling beginning of year and end of year total amounts shown on the statements of cash flows. The provisions of ASU 2016-18 are effective for years beginning after December 15, 2018, with early adoption permitted. The Organization elected to early adopt the requirements of this new standard as of December 31, 2017.

NOTE 12 RECENT ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one or two methods. The standard will be effective for the Organization for the year ending December 31, 2019. Early adoption is permitted. Management is evaluating the impact, if any, of the amended revenue recognition guidance on the Organization's financial statements.

Clarifying Scope and the Accounting Guidance for Contributions

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied

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

on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for the year ending December 31, 2019. Early adoption is permitted. Management is evaluating the impact, if any, of this guidance on the Organization's financial statements.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.