



Financial Statements
December 31, 2018 and 2017

**Ronald McDonald House Charities,
Northern Nevada, Inc.**

Ronald McDonald House Charities, Northern Nevada, Inc.

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December 31, 2018 and 2017

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Independent Auditor's Report

The Board of Trustees
Ronald McDonald House Charities, Northern Nevada, Inc.
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House Charities, Northern Nevada, Inc., (the Organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

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

Change in Accounting Principle

As discussed in Notes 10 and 11 to the financial statements, Ronald McDonald House Charities, Northern Nevada, Inc. has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The 2017 financial statements of Ronald McDonald House Charities, Northern Nevada, Inc. were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose reported dated April 25, 2018 expressed an unmodified audit opinion on those audited financial statements. Kohn & Company LLP reported on the 2017 financial statements before the restatement as described below.

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2017 summarized comparative financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 summarized comparative financial statements of Ronald McDonald House Charities, Northern Nevada, Inc. other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 summarized comparative financial statements as a whole.



Reno, Nevada
September 19, 2019

Ronald McDonald House Charities, Northern Nevada, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 312,884	\$ 315,063
Investments	2,337,888	2,483,278
Prepaid expenses	2,429	750
Total current assets	2,653,201	2,799,091
Land, Property and Equipment, Net	823,777	900,884
Other Assets		
Investments	516,250	516,250
Total assets	\$ 3,993,228	\$ 4,216,225
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 26,130	\$ 12,234
Accrued liabilities	25,138	26,161
Total current liabilities/total liabilities	51,268	38,395
Net Assets		
Without donor restrictions		
Board Designated		
Scholarships	158,435	158,435
Capital property reserve	694,612	694,612
Ronald McDonald Care Mobile	76,928	76,928
Capital improvements	200,000	200,000
Travel for Treatment	15,000	15,000
Family Room	100,000	100,000
Reserves for future needs	100,000	100,000
Investment in land, property and equipment, net	823,777	900,884
Undesignated	1,235,036	1,385,920
Total without donor restrictions net assets	3,403,788	3,631,779
With donor restrictions		
Restricted for specific purpose	21,922	29,801
Restricted in perpetuity	516,250	516,250
Total net assets	3,941,960	4,177,830
Total liabilities and net assets	\$ 3,993,228	\$ 4,216,225

Ronald McDonald House Charities, Northern Nevada, Inc.

Statements of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenue and Release from Restrictions			
Public support			
Contributions	\$ 505,968	\$ 21,922	\$ 527,890
In-kind contributions	50,112	-	50,112
Special events			
Revenue	61,555	-	61,555
Contributions	181,307	-	181,307
In-kind contributions	52,940	-	52,940
Less costs of direct benefits to donors	(137,173)	-	(137,173)
Net special events	158,629	-	158,629
United Way	14,966	-	14,966
Total public support	729,675	21,922	751,597
Revenue			
Interest and dividends	123,882	-	123,882
Rental income	20,269	-	20,269
Total revenue	144,151	-	144,151
Net assets released from restrictions - satisfaction of purpose restrictions	29,801	(29,801)	-
Total public support, revenue, and reclassifications	903,627	(7,879)	895,748
Expenses			
Program services			
Ronald McDonald House	416,306	-	416,306
Family Room	62,402	-	62,402
Travel for Treatment	3,917	-	3,917
Ronald McDonald Care Mobile	25,000	-	25,000
Scholarships	87,000	-	87,000
Total program services	594,625	-	594,625
Supporting services			
General and administrative	187,603	-	187,603
Fund raising	95,490	-	95,490
Total supporting services	283,093	-	283,093
Unallocated payments to RMHC Global, Inc.	6,466	-	6,466
Total expenses	884,184	-	884,184
Other Gains and (Losses)			
Net realized and unrealized gain (loss) on sale of investments	(247,434)	-	(247,434)
Change in Net Assets	(227,991)	(7,879)	(235,870)
Net Assets, Beginning of Year	3,631,779	546,051	4,177,830
Net Assets, End of Year	\$ 3,403,788	\$ 538,172	\$ 3,941,960

Ronald McDonald House Charities, Northern Nevada, Inc.

Statements of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenue and Release from Restrictions			
Public support			
Contributions	\$ 471,856	\$ 49,825	\$ 521,681
In-kind contributions	77,855	-	77,855
Special events			
Revenue	85,547	-	85,547
Contributions	177,183	-	177,183
In-kind contributions	29,241	-	29,241
Less costs of direct benefits to donors	(136,736)	-	(136,736)
Net special events	155,235	-	155,235
United Way	12,161	-	12,161
Total public support	717,107	49,825	766,932
Revenue			
Interest and dividends	118,958	-	118,958
Rental income	24,664	-	24,664
Total revenue	143,622	-	143,622
Net assets released from restrictions - satisfaction of purpose restrictions	35,959	(35,959)	-
Total public support, revenue, and reclassifications	896,688	13,866	910,554
Expenses			
Program services			
Ronald McDonald House	431,817	-	431,817
Family Room	63,276	-	63,276
Travel for Treatment	2,112	-	2,112
Ronald McDonald Care Mobile	25,000	-	25,000
Scholarships	96,500	-	96,500
Total program services	618,705	-	618,705
Supporting services			
General and administrative	125,950	-	125,950
Fund raising	104,685	-	104,685
Total supporting services	230,635	-	230,635
Unallocated payments to RMHC Global, Inc.	16,438	-	16,438
Total expenses	865,778	-	865,778
Other Gains and (Losses)			
Net realized and unrealized gain (loss) on sale of investments	284,714	-	284,714
Change in Net Assets	315,624	13,866	329,490
Net Assets, Beginning of Year, as restated	3,316,155	532,185	3,848,340
Net Assets, End of Year	\$ 3,631,779	\$ 546,051	\$ 4,177,830

Ronald McDonald House Charities, Northern Nevada, Inc.
Statements of Functional Expenses
Year Ended December 31, 2018

	Program Services					Supporting Services		Total
	Ronald McDonald House	Family Room	Travel for Treatment	Ronald McDonald Care Mobile	Scholarships	General and Administrative	Fund Raising	
Salaries	\$ 183,886	\$ 56,892	\$ -	\$ -	\$ -	\$ 91,403	\$ 70,802	\$ 402,983
Employee health and retirement benefits	15,626	-	-	-	-	9,930	4,007	29,563
Payroll taxes	15,990	4,551	-	-	-	17,012	5,838	43,391
Total salaries and related expenses	215,502	61,443	-	-	-	118,345	80,647	475,937
Advertising and promotion	367	-	-	-	-	4,317	1,300	5,984
Automobile expense	608	-	-	-	-	91	-	699
Bank charges	9	-	-	-	-	3,535	-	3,544
Canister expense	-	-	-	-	-	130	821	951
Cleaning services and supplies	19,481	212	-	-	-	131	-	19,824
Depreciation	76,103	-	-	-	-	1,585	1,585	79,273
Direct mail	-	-	-	-	-	1,015	2,239	3,254
Grants and scholarship	-	-	3,917	25,000	87,000	1,720	-	117,637
Groceries/house expenses	52,446	-	-	-	-	1,140	-	53,586
Insurance	18,798	573	-	-	-	-	214	19,585
Legal and accounting	-	-	-	-	-	18,189	-	18,189
Maintenance and repairs	6,727	174	-	-	-	640	-	7,541
Meetings, training and seminars	-	-	-	-	-	1,919	25	1,944
Miscellaneous	268	-	-	-	-	10,051	389	10,708
Office expenses	5,368	-	-	-	-	11,097	7,830	24,295
Postage and shipping	274	-	-	-	-	1,672	219	2,165
Rental property expense	-	-	-	-	-	5,252	-	5,252
Scholarship expense	6,280	-	-	-	-	141	-	6,421
Special events	-	-	-	-	-	-	137,173	137,173
Telephone	3,320	-	-	-	-	-	25	3,345
Travel	-	-	-	-	-	5,165	-	5,165
Utilities	9,957	-	-	-	-	439	196	10,592
Volunteer recognition	798	-	-	-	-	1,029	-	1,827
	416,306	62,402	3,917	25,000	87,000	187,603	232,663	1,014,891
Less expenses included with revenues on the statement of activities								
Cost of special events	-	-	-	-	-	-	(137,173)	(137,173)
	<u>\$ 416,306</u>	<u>\$ 62,402</u>	<u>\$ 3,917</u>	<u>\$ 25,000</u>	<u>\$ 87,000</u>	<u>\$ 187,603</u>	<u>\$ 95,490</u>	<u>877,718</u>
Unallocated payments to RMHC Global, Inc.								6,466
Total expenses								<u>\$ 884,184</u>

See Notes to Financial Statements

Ronald McDonald House Charities, Northern Nevada, Inc.
 Statements of Functional Expenses
 Year Ended December 31, 2017

	Program Services					Supporting Services		Total
	Ronald McDonald House	Family Room	Travel for Treatment	Ronald McDonald Care Mobile	Scholarships	General and Administrative	Fund Raising	
Salaries	\$ 203,802	\$ 56,892	\$ -	\$ -	\$ -	\$ 69,273	\$ 62,726	\$ 392,693
Employee health and retirement benefits	21,711	-	-	-	-	7,526	5,736	34,973
Payroll taxes	16,801	4,551	-	-	-	6,222	5,413	32,987
Total salaries and related expenses	242,314	61,443	-	-	-	83,021	73,875	460,653
Advertising and promotion	1,885	-	-	-	-	100	1,659	3,644
Automobile expense	3,030	-	-	-	-	-	-	3,030
Bank charges	9	-	-	-	-	5,163	-	5,172
Canister expense	-	-	-	-	-	-	1,939	1,939
Cleaning services and supplies	18,519	707	-	-	-	-	-	19,226
Depreciation	74,833	-	-	-	-	1,559	1,559	77,951
Direct mail	-	-	-	-	-	-	5,244	5,244
Grants and scholarship	-	-	2,112	25,000	96,500	-	-	123,612
Groceries/house expenses	42,787	-	-	-	-	-	-	42,787
Insurance	15,613	959	-	-	-	262	262	17,096
Legal and accounting	-	-	-	-	-	12,820	-	12,820
Maintenance and repairs	4,474	167	-	-	-	-	-	4,641
Meetings, training and seminars	-	-	-	-	-	1,853	-	1,853
Miscellaneous	277	-	-	-	-	7,278	4,960	12,515
Office supplies	6,125	-	-	-	-	8,627	12,511	27,263
Postage and shipping	834	-	-	-	-	18	780	1,632
Rental property expense	-	-	-	-	-	4,503	-	4,503
Scholarship expense	3,704	-	-	-	-	-	-	3,704
Special events	-	-	-	-	-	-	153,542	153,542
Telephone	2,887	-	-	-	-	31	31	2,949
Travel	-	-	-	-	-	530	-	530
Utilities	8,920	-	-	-	-	185	185	9,290
Volunteer recognition	5,606	-	-	-	-	-	-	5,606
	431,817	63,276	2,112	25,000	96,500	125,950	256,547	1,001,202
Less expenses included with revenues on the statement of activities								
Cost of special events	-	-	-	-	-	-	(136,736)	(136,736)
Unallocated payments to RMHC Global, Inc.	\$ 431,817	\$ 63,276	\$ 2,112	\$ 25,000	\$ 96,500	\$ 125,950	\$ 119,811	864,466
Total expenses								\$ 880,904

Ronald McDonald House Charities, Northern Nevada, Inc.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (235,870)	\$ 329,490
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	79,273	77,951
Contributed stock	(3,437)	(5,603)
Contributed fixed assets	-	(11,000)
Reinvested dividends	(100,544)	(94,841)
Net realized and unrealized (gain) loss on investments	247,434	(285,829)
Changes in certain components of working capital		
(Increase) decrease in		
Prepaid expenses	(1,679)	2,699
Increase (decrease) in		
Accounts payable	13,896	(24,275)
Accrued liabilities	(1,023)	3,446
Net Cash Flows from Operating Activities	<u>(1,950)</u>	<u>(7,962)</u>
Investing Activities		
Purchases of property and equipment	(2,166)	(6,254)
Purchases of investments	(18,197)	(115,516)
Sales of investments	20,134	160,212
Net Cash Flows from Investing Activities	<u>(229)</u>	<u>38,442</u>
Net Change in Cash	(2,179)	30,480
Cash and cash equivalents, Beginning of Year	<u>315,063</u>	<u>284,583</u>
Cash and cash equivalents, End of Year	<u>\$ 312,884</u>	<u>\$ 315,063</u>
Noncash Investing and Financing Activity		
Contributed fixed assets	\$ -	\$ 11,000
Contributed stock	3,437	5,603

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Ronald McDonald House Charities, Northern Nevada, Inc. (Organization) is organized as a non-profit corporation under the laws of the state of Nevada. In addition, the Organization has received charitable organization status under the Internal Revenue Code Section 501(c)(3). Therefore, donations made to Organization are deductible to the donor, and the Organization is generally exempt from income taxation.

The Organization maintains and operates the Ronald McDonald House in Reno, Nevada to provide a home away from home for seriously ill children and their families while the children are receiving treatment at a nearby hospital. The Organization also provides financial assistance to families that must travel to receive treatment for their child.

In addition, the Organization makes grants to other organizations exempt from tax under IRC Section 501(c)(3). The Organization continued its ongoing support of the Ronald McDonald Care Mobile program which provides basic healthcare services to underserved populations in Washoe County.

The Organization provides qualifying high school seniors from northern Nevada with scholarships for their first year of college as a part of the RMHC U.S. Scholarship Program. Recipients of RMHC Scholarships are also offered renewable scholarships for their second through fourth year of school.

The Ronald McDonald Family Room at Renown Children's Hospital opened February 2012. The 548 square-foot room serves as a place of respite to families with children in the hospital where they can retreat to get something to eat, check their email, watch a movie or just sit and rest in the home-like atmosphere just steps away from their child. Included in the space is a small bedroom where parents can sleep while still enabling them to be close to their child in the Pediatric Intensive Care Unit. The Ronald McDonald Family Room is intended to help parents rest and recoup to be a better support system for their children.

Cash and Cash Equivalents

Cash and cash equivalents include general checking and money market accounts and highly liquid financial instruments purchased with original maturities of three months or less.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred. Advertising and promotional costs total \$5,984 and \$3,644 for the years ended December 31, 2018 and 2017, respectively.

Investments

Investments consist principally of marketable equity securities and mutual funds. Investments in marketable equity securities and mutual funds with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the statement of activities. Long-term investments represent investments to be held for long-term purposes. See Note 5 for additional information.

Land, Property and Equipment

Land, property and equipment are recorded at cost or at the estimated fair value at the date of the gift if donated. Such gifts of land, property and equipment are reported as unrestricted support unless specific donor stipulations specify how the donated assets must be used. Additions and improvements in excess of \$1,500 are capitalized, whereas costs of maintenance and repairs are expensed as incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on straight-line and declining balance bases. The estimated useful life for furniture, fixtures and equipment and vehicles is 3 to 10 years, 10 to 20 years for building improvements, kitchen remodel family room and landscaping, 27.5 years for rental property and 40 years for the building.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

At December 31, 2018 and 2017, the Organization has net assets with donor restrictions which are restricted for specific purposes totaling \$21,922 and \$29,801, respectively, for scholarships for future periods and renovations to be made to the house. Net assets with donor restrictions to be held in perpetuity are detailed in Note 5.

Net Asset Designations

The members of the Ronald McDonald House Charities, Northern Nevada, Inc.'s Board of Trustees have designated net assets without donor restrictions for specific program use. These designations include:

	<u>2018</u>	<u>2017</u>
The RMHC Scholarship Program to assist students attending college.	\$ 158,435	\$ 158,435
The Capital Property Reserve which is based on a long-range study of the cost of capital improvements over a 30 year period for the Reno Ronald McDonald House.	694,612	694,612
The Ronald McDonald Care Mobile as it goes into its tenth year of operations.	76,928	76,928
Capital improvements to the Reno Ronald McDonald House, a home away from home for families of hospitalized children.	200,000	200,000
The RMHC Travel for Treatment program which assists families with travel for medical treatment.	15,000	15,000
The RMHC Family Room located at the Renown Children's Hospital.	100,000	100,000
Reserves for future needs	100,000	100,000

The Board members, at their discretion, can revise the intended use of the net assets as they deem necessary.

The Organization has \$823,777 and \$900,884 invested in land, property and equipment net of accumulated depreciation at December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

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

Contributed Services and Goods

The Organization is required to recognize the contributions of services if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services requiring specialized skills are those provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals and craftsmen.

The Organization received donated goods and services from various individuals and businesses for the years ended December 31, 2018 and 2017 totaling \$103,052 and \$107,096, respectively.

A portion of these donated goods and services are included in the net total for special events income on the statement of activities. Other donated services include meals made for guests, office help and house maintenance projects.

A substantial number of volunteers have donated a significant amount of services. The services donated do not meet the criteria for recognition as defined above. Accordingly, the financial statements do not reflect the value of these services.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as a non-private foundation. Management annually reviews its tax positions, which are summarized as follows:

- It has not engaged in activities that would jeopardize its tax-exempt status
- It has not engaged in any activities that would result in unrelated business income tax
- It has determined that there are no material uncertain tax positions that require recognition in the financial statements

Accordingly, no provision for income taxes has been made. In addition, the Organization does not expect any material change in uncertain tax positions within the next twelve months.

Although the Organization has not been notified of any pending Internal Revenue Service (IRS) examinations, its returns are subject to examination within a three-year statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 19, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Note 2 - Liquidity Note

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

Liquidity	
Cash and cash equivalents	\$ 312,884
Investments	<u>970,991</u>
	<u>\$ 1,283,875</u>

Note 3 - Investments and Fair Value

Investments consist of the following at fair value at December 31:

	<u>2018</u>	<u>2017</u>
Mutual funds	1,130,289	1,587,885
Corporate stocks	<u>1,723,849</u>	<u>1,411,643</u>
	<u>\$ 2,854,138</u>	<u>\$ 2,999,528</u>
Short-term	\$ 2,337,888	\$ 2,483,278
Long-term	<u>516,250</u>	<u>516,250</u>
	<u>\$ 2,854,138</u>	<u>\$ 2,999,528</u>

Generally accepted accounting principles require disclosures regarding fair value measurements which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization has no Level 2 or 3 investments for the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
	<u>Level 1</u>	<u>Level 1</u>
Mutual funds	\$ 1,130,289	\$ 1,587,885
Corporate stocks	<u>1,723,849</u>	<u>1,411,643</u>
	<u>\$ 2,854,138</u>	<u>\$ 2,999,528</u>

Level 1 Fair Value Measurements

The fair value of equity securities is determined by quoted market prices in an active market for identical assets that are accessible at the measurement date.

Ronald McDonald House Charities, Northern Nevada, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Level 3 Fair Value Measurements

The fair value of pooled investments is provided by the investment manager in quarterly statements. Detailed investment holdings are not provided. The fair value of investments valued utilizing Level 3 inputs totals \$0 and \$0 at December 31, 2018 and 2017, respectively.

Following is a summary of the changes in investments valued utilizing level 3 inputs for the years ended December 31:

	2018	2017
Beginning balance	\$ -	\$ 19,627
Contributions	-	-
Investment income	-	2,026
Net realized and unrealized gain (loss)	-	-
Expenses	-	(231)
Distribution	-	(21,422)
	-	(21,422)
Ending balance	\$ -	\$ -

Gains and losses (realized and unrealized) are reported net in the statement of activities.

Note 4 - Land, Property and Equipment

Land, property and equipment consist of the following at December 31:

	2018	2017
Land and landscaping	\$ 194,848	\$ 194,848
Building and improvements	1,192,240	1,190,073
Family room	116,718	116,718
Furniture, fixtures and office equipment	438,397	438,397
Vehicles	5,826	5,826
Kitchen Remodel	69,038	69,038
Artwork	12,000	12,000
	2,029,067	2,026,900
Total land, property and equipment	2,029,067	2,026,900
Less accumulated depreciation	(1,205,290)	(1,126,016)
Net land, property and equipment	\$ 823,777	\$ 900,884

Depreciation expense for the year ended December 31, 2018 and 2017, totaled \$79,274 and \$77,951, respectively.

During the year ended December 31, 2007, the Organization purchased property adjacent to the Ronald McDonald House. During 2018 and 2017, both buildings on the property were rented, see Note 8.

Note 5 - Net Assets With Donor Restrictions

In 1993, the Organization received a donation for the purpose of establishing a permanent endowment. The principal of \$496,250 is restricted and may not be expended. The dividends and interest may be expended to fund house operations. These earnings are shown as unrestricted support, as they were expended during the period in which they were earned.

In 2006, the Organization received a donation for the purpose of establishing a permanent endowment to fund scholarship awards. The principal of \$20,000 is restricted and may not be expended. The dividends and interest may be expended to fund scholarship awards. These earnings are shown as unrestricted support, as they were expended during the period in which they were earned.

Note 6 - Retirement Plan

Effective January 1, 1999, the Organization implemented a Simple IRA plan for its employees. Employees must meet various eligibility requirements to participate in the plan. The Organization matches 100% of each employee's contribution up to 3% of total compensation. For 2018 and 2017, the Organization contributed \$714 and \$1,058, respectively, to the plan.

Note 7 - Related Party Transactions

During 2017, the Organization purchased computer supplies and services from a company owned by a member of the Board of Trustees. The total amount paid during the years ended December 31, 2017, is \$3,058. In addition, the Organization paid for advertising fees and maintenance and supplies related to the rental property management to a company owned by a member of the Board of Trustees. The total amount paid during the years ended December 31, 2017, is \$170.

Note 8 - Endowments

The Organization has donor-restricted endowment funds. Such endowments are established for a variety of purposes related to the Organization's operations and collections. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported as net assets with donor restrictions or without donor restrictions based solely on the existence or absence of donor-imposed restrictions. The endowment funds are classified in net assets as follows:

Ronald McDonald House Charities, Northern Nevada, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

	<u>With Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
Donor-restricted	\$ 516,250	\$ 516,250
Total endowment funds	<u>\$ 516,250</u>	<u>\$ 516,250</u>

Following is a summary of the changes in endowment fund net assets for the years ended December 31:

	<u>With Donor Restrictions</u>	
Endowment net assets, beginning of year	\$ 516,250	\$ 516,250
Investment return	18,426	19,063
Contributions	-	-
Appropriations for expenditures	<u>(18,426)</u>	<u>(19,063)</u>
Endowment net assets, end of year	<u>\$ 516,250</u>	<u>\$ 516,250</u>

Interpretation of Relevant Law

In the absence of explicit donor stipulations to the contrary, the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (Uniform Act) as requiring the preservation of the fair value of the original gift as of the gift date.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment to be held in perpetuity 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 net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described in Uniform Act. The Organization takes into consideration the following factors in its determination to appropriate or accumulate donor-restricted endowment funds in accordance with Uniform Act:

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

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 Uniform Act requires to be retained as perpetual fund. Such deficiencies are reflected as decreases in without donor restrictions or with donor restricted net assets for the period.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to maintain the level of services and programs offered by the Organization in relation to average cost increases. Under the policy, the Organization has determined that its risk tolerance is conservative to moderate and asks that the investment manager invest within this risk parameter.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation plan within prudent risk constraints. The Budget and Finance Committee of the Board of Trustees reviews this plan at least annually with its investment advisors.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

From the donor restricted endowment funds, the dividends and interest may be expended to fund costs as approved in accordance with the original donor's instructions.

Note 9 - Commitments and Contingencies

The Organization entered into an agreement to operate a family room in a local hospital. The Organization is responsible for maintaining, repairing and replacing all improvements, providing volunteer staffing and maintaining appropriate insurance.

The Organization entered into agreements to rent the houses, located on property owned by the Organization, on a month to month basis, with total current monthly rental payments of \$1,355 at December 31, 2018 and 2017. Both houses were rented at December 31, 2018. The houses are included in fixed assets at a cost of \$404,209, net of accumulated depreciation of \$82,822 and \$71,798 at December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Organization received rental income for the above leases totaling \$14,270 and \$19,564, respectively.

The Ronald McDonald House is open and staffed 24 hours a day, 7 days a week in case of emergency. There is an apartment located on site which is leased to the resident staff member for a current rate of \$500 per month. In 2018 and 2017, the Organization received \$6,000 and \$5,100, respectively in rental income from the resident staff apartment.

Self-Insured State Unemployment Tax

The Organization is self-insured for state unemployment purposes rather than obtaining unemployment insurance through the State of Nevada Employment Security Division. This requires the Organization to reimburse the State of Nevada for benefits paid to former employees. The potential liability is based upon the number of employees that are laid off and potentially eligible for unemployment benefits which would be difficult to predict. Based upon historical costs, the Organization believes that no liability needs to be accrued currently. There were no unemployment claims during the years ended December 31, 2018 and 2017.

Note 10 - Change in Accounting Policy

As of January 1, 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Ronald McDonald House Charities, Northern Nevada, Inc.'s donor restricted endowment fund. The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statement of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. Ronald McDonald House Charities, Northern Nevada, Inc. has elected not to present comparative information for liquidity and availability of resources.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Note 11 - Restatement Resulting from Change in Accounting Policy and Correction of Error

As disclosed in Note 10, Ronald McDonald House Charities, Northern Nevada, Inc. adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of December 31, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Organization's December 31, 2017 net assets.

Ronald McDonald House Charities, Northern Nevada, Inc.

Notes to Financial Statements

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The effect on the Organization's statement of financial position as of December 31, 2017 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted	\$ 3,631,779	\$ (3,631,779)	\$ -
Temporarily restricted net assets	29,801	(29,801)	-
Permanently restricted net assets	516,250	(516,250)	-
Net assets without donor restrictions	-	3,631,779	3,631,779
Net assets with donor restrictions	-	546,051	546,051

The effect on the Organization's statement of activities, for the year ended December 31, 2017 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Net assets, beginning of year			
Unrestricted	\$ 3,316,155	\$ (3,316,155)	\$ -
Temporarily restricted net assets	15,935	(15,935)	-
Permanently restricted net assets	516,250	(516,250)	-
Net assets without donor restrictions	-	3,316,155	3,316,155
Net assets with donor restrictions	-	532,185	532,185
	<u>\$ 3,848,340</u>	<u>\$ -</u>	<u>\$ 3,848,340</u>
Net assets, end of year			
Unrestricted	\$ 3,631,779	\$ (3,631,779)	\$ -
Temporarily restricted net assets	29,801	(29,801)	-
Permanently restricted net assets	516,250	(516,250)	-
Net assets without donor restrictions	-	3,631,779	3,631,779
Net assets with donor restrictions	-	546,051	546,051
	<u>\$ 4,177,830</u>	<u>\$ -</u>	<u>\$ 4,177,830</u>