

Consolidated Financial Statements
and Consolidating Information

2019

**Ronald McDonald House Charities of
Kentuckiana, Inc. and Affiliates**

December 31, 2019



Consolidated Financial Statements
and Consolidating Information

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

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Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities
of Kentuckiana, Inc. and Affiliates
Louisville, Kentucky

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates (collectively referred to as "RMHCK") which are comprised of the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditors' judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to RMHCK's preparation and fair presentation of the consolidated 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 RMHCK'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates as of December 31, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note A, RMHCK adopted the requirements of Financial Accounting Standards Board, Accounting Standards Update No. 2018-08 (*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*). Our opinion is not modified with respect to this matter.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 27 through 29 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, results of operations and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

STROTHMAN AND COMPANY

Louisville, Kentucky
July 27, 2021

Consolidated Statements of Financial Position

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

	December 31	
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 287,728	\$ 2,270,918
Accounts receivable	34,806	12,298
Contributions receivable, net	475,446	469,185
Investments	3,646,632	10,204,289
Prepaid expenses and other	29,919	30,054
Inventories	6,785	9,276
	<hr/>	<hr/>
Total Current Assets	4,481,316	12,996,020
Noncurrent Assets		
Contributions receivable, net	1,010,147	1,793,851
Investments	600,000	600,000
Property and equipment, net	18,442,378	9,953,130
Other assets	35,021	
	<hr/>	<hr/>
Total Noncurrent Assets	20,087,546	12,346,981
	<hr/>	<hr/>
Total Assets	<u>\$ 24,568,862</u>	<u>\$ 25,343,001</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 121,542	\$ 145,685
Construction payables	565,306	1,637,801
	<hr/>	<hr/>
Total Current Liabilities	686,848	1,783,486
Net Assets		
Without donor restrictions		
Controlling interest	22,967,649	13,595,609
Noncontrolling interest	197,229	
	<hr/>	<hr/>
	23,164,878	13,595,609
With donor restrictions	717,136	9,963,906
	<hr/>	<hr/>
Total Net Assets	23,882,014	23,559,515
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 24,568,862</u>	<u>\$ 25,343,001</u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

	Year Ended December 31					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Contributions	\$ 1,254,041	\$ 885,496	\$ 2,139,537	\$ 917,380	\$ 13,974,132	\$ 14,891,512
Special events	610,845		610,845	536,709		536,709
Room donations/fees	147,667		147,667	159,780		159,780
Other income	10,573		10,573	18,405		18,405
Net assets released from restrictions	10,237,802	(10,237,802)		6,525,385	(6,525,385)	
Total Revenues and Other Support	12,260,928	(9,352,306)	2,908,622	8,157,659	7,448,747	15,606,406
Expenses						
Program services	1,708,838		1,708,838	1,183,638		1,183,638
Cost of direct benefits to donors	169,602		169,602	160,252		160,252
Management and general administration	226,887		226,887	242,050		242,050
Fundraising	379,969		379,969	362,116		362,116
Total Expenses	2,485,296		2,485,296	1,948,056		1,948,056
Change in Net Assets From Operations	9,775,632	(9,352,306)	423,326	6,209,603	7,448,747	13,658,350
Loss on Disposal of Prior Building Improvements	(1,316,463)		(1,316,463)			
Investment Income (Loss), net	616,929	105,536	722,465	(57,709)	(24,660)	(82,369)
Change in Net Assets	9,076,098	(9,246,770)	(170,672)	6,151,894	7,424,087	13,575,981
Less noncontrolling interest in RMHCK Real Estate LLC, loss	393,141		393,141			
Change in Net Assets Attributable to Controlling Interest	9,469,239	(9,246,770)	222,469			
Net Assets Beginning of Year	13,595,609	9,963,906	23,559,515	7,443,715	2,539,819	9,983,534
Syndication costs	(97,199)		(97,199)			
Contribution of capital, Enhanced Capital HTC Fund, III	197,229		197,229			
Net Assets End of Year	\$ 23,164,878	\$ 717,136	\$ 23,882,014	\$ 13,595,609	\$ 9,963,906	\$ 23,559,515

See Notes to Consolidated Financial Statements

Consolidated Statements of Functional Expenses

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

Year Ended December 31, 2019

	Program Services			Total	Management and General Administration	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Rooms	Eliminations					
Salaries	\$ 514,448			\$ 514,448	\$ 118,719	\$ 158,292		\$ 791,459
Employee benefits	55,863			55,863	33,710	6,742		96,315
Payroll taxes	41,470			41,470	8,761	8,177		58,408
Total Salaries and Related Expenses	611,781			611,781	161,190	173,211		946,182
Ancillary	6,469			6,469		6,469		12,938
Board expense	4,833			4,833	3,222			8,055
Capital campaign				-		80,837		80,837
Cleaning service and supplies	456,881			456,881				456,881
Depreciation	221,947			221,947	520	520		222,987
Direct mail	47,598			47,598		84,619		132,217
Family room expense		\$ 3,099		3,099				3,099
Fund raising events				-		10,222	\$ 169,602	179,824
Insurance	31,721			31,721	1,670			33,391
Interest expense	186,204		\$ (186,204)	-				-
Maintenance and repairs	84,848			84,848				84,848
Night security	51,196			51,196				51,196
Office supplies	5,008			5,008	3,756	3,756		12,520
Other expenses	14,608			14,608	(16,589)			(1,981)
Postage	2,795			2,795	466	1,399		4,660
Printing and publishing	43,970			43,970	6,765	16,912		67,647
Professional fees				-	42,358			42,358
Rental supplies				-	2,153			2,153
Technology	6,665			6,665	6,665	1,547		14,877
Telephone	15,113			15,113	318	477		15,908
Travel, meals and entertainment	9,622			9,622	9,622			19,244
Utilities	90,641			90,641	4,771			95,412
Volunteer resources and recognition	43			43				43
Total Functional Expenses	\$ 1,891,943	\$ 3,099	\$ (186,204)	\$ 1,708,838	\$ 226,887	\$ 379,969	\$ 169,602	\$ 2,485,296

See Notes to Consolidated Financial Statements

Consolidated Statements of Functional Expenses

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

Year Ended December 31, 2018

	Program Services			Management and General Administration	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Rooms	Total				
Salaries	\$ 424,632		\$ 424,632	\$ 97,992	\$ 130,656		\$ 653,280
Employee benefits	44,391		44,391	26,788	5,358		76,537
Payroll taxes	39,440		39,440	8,332	7,777		55,549
Total Salaries and Related Expenses	508,463		508,463	133,112	143,791		785,366
Ancillary	8,475		8,475		8,475		16,950
Board expense	2,216		2,216	1,477			3,693
Capital campaign					100,736		100,736
Cleaning service and supplies	131,757		131,757				131,757
Depreciation	149,486		149,486	437	437		150,360
Direct mail	40,615		40,615		72,205		112,820
Family room expense		\$ 10,527	10,527				10,527
Fund raising events					12,873	\$ 159,390	172,263
Insurance	26,184		26,184	1,378			27,562
Interest expense	13,386		13,386				13,386
Maintenance and repairs	81,427		81,427				81,427
Night security	43,142		43,142				43,142
Office supplies	3,815		3,815	2,862	2,862		9,539
Other expenses	14,920		14,920	26,709	5,294		46,923
Postage	2,392		2,392	399	1,196		3,987
Printing and publishing	25,207		25,207	3,878	9,695		38,780
Professional fees				50,079			50,079
Rental supplies				4,060			4,060
Sales tax	2,091		2,091				2,091
Technology	3,882		3,882	3,882	4,211		11,975
Telephone	10,803		10,803	227	341		11,371
Travel, meals and entertainment	8,515		8,515	8,515			17,030
Utilities	95,659		95,659	5,035			100,694
Volunteer resources and recognition	676		676			862	1,538
Total Functional Expenses	\$ 1,173,111	\$ 10,527	\$ 1,183,638	\$ 242,050	\$ 362,116	\$ 160,252	\$ 1,948,056

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

	Year Ended December 31	
	2019	2018
Operating Activities		
Change in net assets	\$ (170,672)	\$ 13,575,981
Adjustments		
Depreciation and amortization	222,987	163,746
Loss on disposal of prior building improvements	1,316,463	
Net realized and unrealized (gains) losses on investments	(629,567)	269,967
Contributions restricted for long-term purposes	(871,992)	(13,448,535)
Change in discount of pledges receivable	(58,904)	86,264
Changes in operating assets and liabilities		
Accounts receivable	(22,509)	23,645
Contributions receivable	836,347	(486,354)
Inventories	2,491	(211)
Prepaid expenses and other	135	(4,175)
Other assets	(35,021)	
Accounts payable and accrued expenses	(24,143)	20,070
Net Cash Provided By Operating Activities	565,615	200,398
Investing Activities		
Purchases of property and equipment	(11,101,192)	(1,635,214)
Purchases of investments	(1,253,875)	(12,614,321)
Proceeds from sale of investments	8,441,099	6,164,992
Net Cash Used In Investing Activities	(3,913,968)	(8,084,543)
Financing Activities		
Payments on note payable		(3,650,000)
Capital contributions to RMHCK Real Estate LLC	590,370	
Syndication costs	(97,199)	
Contributions restricted for long-term purposes	871,992	13,448,535
Net Cash Provided By Financing Activities	1,365,163	9,798,535
Net Increase (Decrease) in Cash and Cash Equivalents	(1,983,190)	1,914,390
Cash and Cash Equivalents Beginning of Year	2,270,918	356,528
Cash and Cash Equivalents End of Year	\$ 287,728	\$ 2,270,918
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ -	\$ 66,628
Capitalized construction costs unpaid at end of year	\$ 565,306	\$ 1,637,801

See Notes to Consolidated Financial Statements

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note A--Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations--Ronald McDonald House Charities of Kentuckiana, Inc. ("RMHCK") is a nonprofit organization formed to establish and maintain a Ronald McDonald House ("House") to provide lodging for families of seriously ill children while they are in the hospital. For the same purpose, RMHCK operates three Ronald McDonald Family Rooms ("Family Rooms") at Norton Children's Hospital, Norton Women's and Children's Hospital and Frazier Rehab Institute in Louisville, Kentucky. RMHCK is an affiliate of Ronald McDonald House Charities, Inc. which strives to create, find and support programs that directly improve the health and well-being of children. RMHCK is responsible for raising the necessary funds to maintain and operate the House and Family Rooms.

RMHCK's primary sources of revenue are contributions and grants in varying forms from individuals, corporate donors, other charitable organizations, and others.

RMHCK follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* ("ASC"). Significant accounting policies are as follows:

Consolidation Policy--The consolidated financial statements include the accounts of RMHCK and its affiliates RMHCK Real Estate, LLC, and RMHCK Real Estate Member, Inc. All significant intercompany transactions are eliminated in the consolidated financial statements.

In 2017, RMHCK formed the following affiliated entities to pursue potential tax credits to assist in the funding of its ongoing expansion of their two existing buildings to better serve the families and children in need.

RMHCK Real Estate, LLC and RMHCK Real Estate Managing Member, LLC were formed as limited liability companies.

RMHCK Real Estate Member, Inc. was formed as a corporation.

RMHCK Real Estate Member, Inc. is structured as a wholly owned subsidiary of RMHCK. RMHCK Real Estate, LLC was owned 99% by RMHCK and 1% by RMHCK Real Estate Member, Inc.

In connection with the financing of the renovation and expansion of its facilities, effective February 20, 2019, RMHCK exchanged its 99% ownership in RMHCK Real Estate, LLC, for an agreed upon capital commitment of \$2,361,000 from an investment member (Enhanced Capital HTC Fund, III).

For financial reporting purposes, RMHCK continues to consolidate RMHCK Real Estate, LLC into its financial statements as RMHCK Real Estate Member, Inc. (wholly owned by RMHCK) is the managing member and has operational control of RMHCK Real Estate, LLC.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note A--Nature of Operations and Summary of Significant Accounting Policies--Continued

Measure of Operations--RMHCK's change in net assets from operations on the consolidated statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes net investment returns.

Income Taxes--RMHCK is exempt from federal, Kentucky and local income taxes under Section 501(c)(3) of the Internal Revenue Code.

As a charity, RMHCK is exempt from income taxes, except on net income derived from unrelated business activities. RMHCK does not have any income from unrelated business activities. RMHCK 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.

RMHCK Real Estate, LLC is treated as a partnership for income tax purposes. RMHCK Real Estate Managing Member, LLC is a disregarded entity for income tax purposes. RMHCK Real Estate Member, Inc. elected to be treated as a separate corporation for income tax purposes.

Basis of Presentation--The consolidated financial statements have been prepared using the accrual basis of accounting.

Cash and Cash Equivalents--RMHCK considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market funds. RMHCK's cash accounts exceeded the Federal Deposit Insurance Corporation limit by approximately \$1,741,000 as of December 31, 2018. RMHCK's cash accounts were fully insured as of December 31, 2019.

Accounts Receivable--RMHCK considers accounts receivable fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to activities when that determination is made. No amounts were charged to activities in 2019 and 2018. There were no amounts determined to be uncollectible for the years ended December 31, 2019 and 2018, respectively.

Contributions Receivable--Contributions receivable are recognized as support when the donor makes a pledge to RMHCK that is, in substance, unconditional. Conditional pledges are recognized when the conditions on which they depend are substantially met. Pledges are recorded at net realizable value if expected to be collected in one year and if expected to be collected in more than one year then the pledge is discounted at an appropriate discount commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Pledges are reviewed periodically for collectability. There were no amounts determined to be uncollectible for the years ended December 31, 2019 or 2018.

Inventories--Inventories of apparel and promotional items are recorded at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note A--Nature of Operations and Summary of Significant Accounting Policies--Continued

Investments and Investment Income--Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value. Investment income includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments net of investment related expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Investment return is reflected in the statements of activities based upon the existence and nature of any donor or legally imposed restrictions.

Contributions--Gifts of cash and other assets received without donor stipulations are reported as net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as net assets with donor restrictions and then released to net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Accordingly, those donations are recorded as support increasing net assets with donor restrictions, until the funds have been used in accordance with the donor's intent.

Unconditional gifts expected to be collected (contributions receivable) within one year are reported at their net unrealized value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risks involved, at the date the gift was made.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and contributions when the conditions are substantially met and the gift becomes unconditional.

Contributed Services and In-Kind Contributions--Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. RMHCK also receives in-kind contributions of supplies and food from various donors. It is the policy of RMHCK to record the estimated fair value of certain in-kind donations as an expense or capitalized asset in its consolidated financial statements and similarly increase contribution revenue by a like amount. Contributed services and in-kind contributions were \$266,799 and \$130,452 for the years ended December 31, 2019 and 2018, respectively.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note A--Nature of Operations and Summary of Significant Accounting Policies--Continued

Property and Equipment--Property and equipment consist of building, building improvements and equipment with estimated useful lives in excess of one year and are stated at cost, if purchased, or at fair market value, if donated. RMHCK's policy is to capitalize property and equipment which cost over \$1,000. Maintenance and repairs are charged to expense as incurred. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Building and building improvements	5-40 years
Furniture and office equipment	5-10 years

Impairment of Long-Lived Assets--RMHCK 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 recovered. RMHCK 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. RMHCK determined that no impairment loss need be recognized for applicable assets for the years ended December 31, 2019 and 2018.

Net Assets with Donor Restrictions--Net assets with donor restrictions are those whose use by RMHCK has been limited by donors to a specific time period, purpose or to be maintained by RMHCK in perpetuity.

Functional Allocation of Expenses--The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Certain costs have been allocated among the program, management and general and fundraising categories based on the estimated time spent on activities, space used or number of employees.

Advertising--RMHCK expenses advertising costs as they are incurred. RMHCK advertises through the use of newsletters, direct mail appeals, RMHCK web site, and McDonald's Co-op by means of donation boxes placed in all stores. Advertising expense was \$43,967 and \$26,361 for the years ended December 31, 2019 and 2018, respectively.

Use of Estimates--The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain 2018 consolidated financial statement balances have been reclassified to conform to 2019 presentation. There was no effect on net assets as a result of these reclassifications.

Subsequent Events--In preparing these consolidated financial statements, RMHCK has evaluated events and transactions for potential recognition or disclosure through July 27, 2021, the date the consolidated financial statements were available to be issued.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note A--Nature of Operations and Summary of Significant Accounting Policies--Continued

New Accounting Pronouncement--The Organization adopted the requirements of the FASB ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year, applying the changes using a modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The Organization has adopted the guidance in the ASU as of December 31, 2019; however, adoption had no material impact RMHCK's consolidated financial statements.

Recent Accounting Standard--In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard which replaces nearly all existing guidance on revenue recognition. The standard's core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will require entities to make greater use of judgments and estimates than previously required and also requires additional disclosures and financial statement presentations. The standard is effective for RMHCK for the year ended December 31, 2019.

In 2020, the FASB provided an additional one-year deferral in the required adoption of the new revenue recognition standard for non-profit organizations. RMHCK has elected that deferral and will adopt the revenue recognition standard for the year ending December 31, 2020.

Note B--Contributions Receivable

Contributions receivable consists of the following:

	December 31	
	2019	2018
Amounts due in:		
Less than one year	\$ 475,446	\$ 469,185
One to five years	1,007,185	1,648,793
More than five years	100,000	301,000
Total	1,582,631	2,418,978
Unamortized discount	97,038	155,942
Net Contributions Receivable	\$ 1,485,593	\$ 2,263,036

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using an applicable discount rate which is equivalent to RMHCK's incremental borrowing rate of 2.63%.

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note C--Investments

Investments consist of the following at December 31, 2019:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Undesignated			
Operating Reserve Fund			
Cash equivalents	\$ 28,495	\$ 28,495	
Mutual funds			
Index funds	437,773	295,535	\$ 142,238
Domestic equity	744,551	634,273	110,278
International equity	382,335	320,627	61,708
Bond funds	<u>1,084,198</u>	<u>1,085,062</u>	<u>(864)</u>
Total Undesignated Investments	2,677,352	2,363,992	313,360
Designated			
Capital Project Fund			
Cash equivalents	11,359	11,359	
Mutual funds			
Index funds	147,625	96,931	50,694
Domestic equity	239,408	192,383	47,025
International equity	139,227	112,230	26,997
Bond funds	<u>314,525</u>	<u>314,049</u>	<u>476</u>
Total Designated Investments	852,144	726,952	125,192
Kroc Restricted Fund			
Cash equivalents	10,691	10,691	
Exchange traded funds	27,008	20,470	6,538
Mutual funds			
Index funds	122,556	83,563	38,993
Domestic equity	165,084	143,500	21,584
International equity	54,214	48,489	5,725
Bond funds	<u>200,154</u>	<u>200,813</u>	<u>(659)</u>
Total Kroc Restricted Fund	579,707	507,526	72,181

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note C--Investments--Continued

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Janet Arentsen Endowment Fund			
Cash equivalents	3,995	3,995	
Exchange traded funds	13,097	11,132	1,965
Mutual funds			
Index funds	26,908	18,174	8,734
Domestic equity	40,884	32,833	8,051
International equity	25,169	20,781	4,388
Bond funds	27,376	27,293	83
	<u>137,429</u>	<u>114,208</u>	<u>23,221</u>
Total Janet Arentsen Endowment Fund	<u>137,429</u>	<u>114,208</u>	<u>23,221</u>
Total Restricted Investments	<u>717,136</u>	<u>621,734</u>	<u>95,402</u>
Total Investments	<u>\$ 4,246,632</u>	<u>\$ 3,712,678</u>	<u>\$ 533,954</u>

Investments consist of the following at December 31, 2018:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Undesignated			
Operating Reserve Fund			
Cash equivalents	\$ 33,067	\$ 33,067	
Mutual funds			
Index funds	342,343	292,667	\$ 49,676
Domestic equity	641,392	622,936	18,456
International equity	281,453	275,998	5,455
Bond funds	984,728	1,010,692	(25,964)
	<u>2,282,983</u>	<u>2,235,360</u>	<u>47,623</u>
Total Undesignated Investments	<u>2,282,983</u>	<u>2,235,360</u>	<u>47,623</u>

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note C--Investments--Continued

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Designated			
Capital Project Fund			
Cash equivalents	4,429	4,429	
Mutual funds			
Index funds	221,768	186,450	35,318
Domestic equity	398,920	372,379	26,541
International equity	182,116	178,118	3,998
Bond funds	526,655	540,881	(14,226)
	<u>1,333,888</u>	<u>1,282,257</u>	<u>51,631</u>
Total Designated Investments	1,333,888	1,282,257	51,631
Restricted			
Ronald McDonald House Charities			
Restricted Fund			
Cash equivalents	6,539,148	6,539,148	
Kroc Restricted Fund			
Cash equivalents	4,120	4,120	
Exchange traded funds	22,457	20,470	1,987
Mutual funds			
Index funds	100,914	86,626	14,288
Domestic equity	148,998	148,438	560
International equity	46,601	50,551	(3,950)
Bond funds	204,416	210,357	(5,941)
	<u>527,506</u>	<u>520,562</u>	<u>6,944</u>
Total Kroc Restricted Fund	527,506	520,562	6,944

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note C--Investments--Continued

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Janet Arentsen Endowment Fund			
Cash equivalents	612	612	
Exchange traded funds	10,910	10,728	182
Mutual funds			
Index funds	21,985	18,984	3,001
Domestic equity	37,869	35,692	2,177
International equity	20,936	20,814	122
Bond funds	28,452	29,166	(714)
	<u>120,764</u>	<u>115,996</u>	<u>4,768</u>
Total Janet Arentsen Endowment Fund	<u>120,764</u>	<u>115,996</u>	<u>4,768</u>
Total Restricted Investments	<u>7,187,418</u>	<u>7,175,706</u>	<u>11,712</u>
Total Investments	<u>\$ 10,804,289</u>	<u>\$ 10,693,323</u>	<u>\$ 110,966</u>

Total investment income (loss) is comprised of the following:

	<u>Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 114,587	\$ 208,222
Net realized and unrealized gains (losses) on investments reported at fair value	629,567	(269,967)
Less investment related expenses	<u>(21,689)</u>	<u>(20,624)</u>
	<u>\$ 722,465</u>	<u>\$ (82,369)</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note C--Investments--Continued

In determining fair value, RMHCK 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. The measurement framework establishes a hierarchy for inputs 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. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on 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 transaction.

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 54,540	\$ 54,540	\$ -	\$ -
Exchange traded funds	40,105	40,105	-	-
Mutual funds				
Index funds	734,862	734,862	-	-
Domestic equity	1,189,927	1,189,927	-	-
International equity	600,945	600,945	-	-
Bond funds	1,626,253	1,626,253	-	-
	<u>\$ 4,246,632</u>	<u>\$ 4,246,632</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note C--Investments--Continued

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 6,581,376	\$ 6,581,376	\$ -	\$ -
Exchange traded funds	33,367	33,367	-	-
Mutual funds				
Index funds	687,010	687,010	-	-
Domestic equity	1,227,179	1,227,179	-	-
International equity	531,106	531,106	-	-
Bond funds	1,744,251	1,744,251	-	-
	<u>\$ 10,804,289</u>	<u>\$ 10,804,289</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. There have been no changes in valuation techniques and related inputs in 2019 or 2018.

Note D--Property and Equipment

Property and equipment consisted of the following:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 510,000	\$ 510,000
Buildings and improvements	13,051,715	4,974,559
Construction in progress	4,770,937	6,842,935
Furniture and equipment	592,691	979,094
	<u>18,925,343</u>	<u>13,306,588</u>
Total, at Cost		
	18,925,343	13,306,588
Less accumulated depreciation	<u>(482,965)</u>	<u>(3,353,458)</u>
Net Property and Equipment	<u>\$ 18,442,378</u>	<u>\$ 9,953,130</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note D--Property and Equipment--Continued

RMHCK purchased an additional building as part of a larger capital campaign which involves expanding current capacity and renovating the House's existing rooms in order to meet RMHCK's growing needs. The purchase and subsequent renovation of the building, including \$66,628 of related capitalized interest for the year ended December 31, 2018. During 2019, RMHCK recognized a \$1,316,463 abandonment loss related previously capitalized and building improvement costs that were demolished during the renovation and expansion project. Phase 1 of the renovation was completed and placed in service on August 1, 2019, and Phase 2 was completed and placed into service in 2020.

Note E--Note Payable

RMHCK had a note payable to Commonwealth Bank and Trust Company. This note was paid in full in September 2018. The note was used to purchase a new building as part of the expansion and all interest on the note has been capitalized as part of the renovation and expansion referred to in Note D.

Note F--Net Assets with Donor Restrictions

RMHCK receives certain contributions for which the use is restricted by the donor or is subject to a time restriction. For the years ended December 31, 2019 and 2018, the activity in net assets with donor restrictions consisted of the following:

	<u>Balance December 31 2018</u>	<u>Restricted Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance December 31 2019</u>
Restricted for Specified Purpose				
Debt relief and building renovations	\$ 9,315,636	\$ 885,496	\$ (10,201,132)	
Kroc and Arentsen Endowments				
Investment in perpetuity	600,000			\$ 600,000
Unappropriated endowment earnings	48,270	105,536	(36,670)	117,136
	<u>\$ 9,963,906</u>	<u>\$ 991,032</u>	<u>\$ (10,237,802)</u>	<u>\$ 717,136</u>

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note F--Net Assets with Donor Restrictions--Continued

	Balance December 31 2017	Restricted Contributions and Grants	Net Assets Released from Restrictions	Balance December 31 2018
Restricted for Specified Purpose				
Debt relief and building renovations	\$ 1,830,387	\$ 13,974,132	\$ (6,488,883)	\$ 9,315,636
Kroc and Arentsen Endowments				
Investment in perpetuity	600,000			600,000
Unappropriated endowment earnings	109,432	(24,660)	(36,502)	48,270
	<u>\$ 2,539,819</u>	<u>\$ 13,949,472</u>	<u>\$ (6,525,385)</u>	<u>\$ 9,963,906</u>

Note G--Endowment Funds

Board-designated Endowment--RMHCK has designated a portion of its unrestricted net assets as a general endowment fund to support the mission of RMHCK. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

RMHCK has a spending policy of appropriating funds for distribution as needed for significant repairs, maintenance expenses and future facility expansions. In establishing this policy, RMHCK considered the long-term expected investment return on its endowment. Accordingly, RMHCK has invested the endowment in an asset allocation of highly liquid equity-based investments and fixed income securities to achieve its return objectives within risk parameters.

Donor-designated Endowment--As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHCK 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHCK classifies such gifts as (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 net assets with donor restrictions is classified as unappropriated endowment income until those amounts are appropriated for expenditure by RMHCK in a manner consistent with the standard of prudence prescribed by UPMIFA.

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note G--Endowment Funds--Continued

In accordance with UPMIFA, RMHCK 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, (6) other resources of RMHCK, and (7) RMHCK's investment policies.

Changes in board-designated and donor-restricted endowment during the years ended December 31, 2019 and 2018 are as follows:

	Board- designated Endowment (Net Assets without Donor Restrictions)	Donor- restricted Endowment (Net Assets with Donor Restrictions)
Balance at January 1, 2018	\$ 1,682,839	\$ 709,433
Investment income	25,335	12,753
Net depreciation	(74,286)	(37,413)
Amounts appropriated for expenditure	<u>(300,000)</u>	<u>(36,503)</u>
Total Change in Endowment	<u>(348,951)</u>	<u>(61,163)</u>
Balance at December 31, 2018	1,333,888	648,270
Investment income	33,648	17,984
Net appreciation	203,888	87,552
Amounts appropriated for expenditure	<u>(719,280)</u>	<u>(36,670)</u>
Total Change in Endowment	<u>(481,744)</u>	<u>68,866</u>
Balance at December 31, 2019	<u>\$ 852,144</u>	<u>\$ 717,136</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note G--Endowment Funds--Continued

Endowment Investment and Spending Policies--RMHCK has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. RMHCK's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Each of RMHCK's funds have a long-term objective to provide stability of principal and income. Arentsen's return objective is to return 7%, net of investment fees, over a full market cycle, approximately five to seven years. Kroc's return objective is to return 5%, net of investment fees, over a full market cycle, approximately five to seven years. Actual returns, in any given year, may vary from this amount. Each fund also has relative objectives that include generating a return in excess of the passive portfolio benchmark for each asset class, exceeding the rate of inflation, assumed to be approximately 3% over a five to ten-year period, and exceeding the 50th percentile return of a universe comprised of funds or managers with similar objectives and/or styles. RMHCK targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

The spending policy for Kroc specifies that income only from the fund will be used for operating expenses. The spending policy for Arentsen requires that a rolling fair market value average for the previous eight quarters, the value for a quarter to be determined as of the last day of each quarter, shall be determined and 5% of this amount shall be available to be spent for the objective of the fund in the succeeding year, as the Board of Directors of RMHCK determines.

Funds with Deficiencies--From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHCK to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 or December 31, 2018.

Note H--Retirement Plan

RMHCK has a simple IRA retirement plan. RMHCK matches 100% employee contributions up to three percent of their compensation. RMHCK made contributions of \$17,671 and \$14,503 for the years ended December 31, 2019 and 2018, respectively. The contributions are included in employee benefits on the consolidated statements of functional expenses.

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note I--Liquidity and Availability of Funds

RMHCK has a goal to maintain financial assets, and specifically cash, on hand to meet 365 days of normal operating expenses. RMHCK has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	December 31	
	2019	2018
Financial assets, at year-end	\$ 6,054,759	\$ 15,350,541
Less those unavailable for general expenditures within one year, due to:		
Contributions receivables, long-term	(1,010,147)	(1,793,851)
Contractual or donor-imposed restrictions:		
Kroc and Arentsen endowment funds	(600,000)	(600,000)
Restricted by donor for capital projects	-	(9,315,636)
Board designated capital project funds	(852,144)	(1,333,888)
	<u>3,592,468</u>	<u>2,307,166</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,592,468	\$ 2,307,166
Cash and cash equivalents	\$ 287,728	\$ 2,270,918
Accounts receivable	34,806	12,298
Contributions receivable, net	1,485,593	2,263,036
Investments	4,246,632	10,804,289
	<u>\$ 6,054,759</u>	<u>\$ 15,350,541</u>

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note J--Donated Goods and Services

Donated goods and services consists of the following for the year ended December 31, 2019:

	<u>Program Services</u>	<u>Management and General Administration</u>	<u>Fundraising</u>	<u>Total</u>
Cleaning service and supplies	\$ 119,496			\$ 119,496
Office supplies		\$ 637		637
Printing and publishing			\$ 1,175	1,175
Professional fees		19,510		19,510
Mattresses, furniture and artwork	<u>125,981</u>			<u>125,981</u>
	<u>\$ 245,477</u>	<u>\$ 20,147</u>	<u>\$ 1,175</u>	<u>\$ 266,799</u>

Donated goods and services consists of the following for the year ended December 31, 2018:

	<u>Program Services</u>	<u>Management and General Administration</u>	<u>Fundraising</u>	<u>Total</u>
Cleaning service and supplies	\$ 126,298			\$ 126,298
Maintenance and repairs	1,635			1,635
Office supplies	940			940
Printing and publishing	468	\$ 351	\$ 351	1,170
Professional fees		79		79
Volunteer recognition	<u>330</u>			<u>330</u>
	<u>\$ 129,671</u>	<u>\$ 430</u>	<u>\$ 351</u>	<u>\$ 130,452</u>

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note K--Renovation and Expansion Financing

In connection with the financing of the renovation and expansion of its facilities, effective February 20, 2019, RMHCK authorized and transacted the following:

RMHCK Real Estate, LLC amended and restated its operating agreement whereby RMHCK withdrew its 99% ownership, admitted a 99% investor member (Enhanced Capital HTC Fund, III), with an agreed upon capital commitment of \$2,361,481 to be provided over the renovation and expansion project and RMHCK Real Estate Member, Inc. remained a 1% managing member with a revised capital commitment of \$75,000 (which was funded through the payment of construction costs in 2019).

RMHCK agreed to serve as the guarantor of RMHCK Real Estate Member, Inc.'s obligations as managing member of RMHCK Real Estate, LLC.

The current lease between RMHCK and RMHCK Real Estate, LLC was amended to change the term of the lease to 19 years and provide for payment of fair market value rent to commence upon completion of the project renovations. Future minimum lease payments are as follows:

<u>Year Ending December 31</u>	
2020	\$ 212,743
2021	260,398
2022	260,398
2023	265,606
2024	270,918
Thereafter	<u>3,706,273</u>
	<u>\$ 4,976,336</u>

RMHCK entered into a mortgage loan agreement with RMHCK Real Estate, LLC whereby RMHCK will loan up to \$19,560,527 to RMHCK Real Estate, LLC for construction purposes. The loan requires quarterly interest payments through September 30, 2020, then quarterly payments based on the maturity date of February 20, 2049.

For financial reporting purposes, RMHCK continues to consolidate RMHCK Real Estate, LLC into its financial statements as RMHCK Real Estate Member, Inc. (wholly owned by RMHCK) is the managing member and has operational control of RMHCK Real Estate, LLC. The above leasing and lending activities are eliminated from the consolidated financial statements.

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019 and 2018

Note L--Subsequent Events

Subsequent to year-end, the World Health Organization declared the spread of COVID-19 disease a worldwide pandemic. This pandemic is having significant effects on supply chains, businesses, educational institutions and communities. In response to this pandemic, management applied for a Payroll Protection Program loan under the CARES Act and in April, 2020, received a loan in the amount of \$161,900. Under the program, the loan bears interest at 1.00% with interest payments deferred for 6 months, and may be forgivable upon meeting the program's criteria. Any unpaid balance of the loan is due in 2 years from the loan's funding date. As of the report date, the RMHCK expects the loan and all accrued interest to be completely forgiven. Management of the RMHCK is assessing the potential impact of this pandemic and believes it is taking necessary steps to mitigate any potential negative effects. However, the full impact of this matter on the RMHCK cannot be known with certainty as events are still developing.

Consolidating Information

Consolidating Statement of Financial Position

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

December 31, 2019

	Ronald McDonald House Charities of Kentuckiana, Inc.	RMHCK Real Estate, LLC	RMHCK Real Estate Member, Inc.	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$ 275,175	\$ 12,553			\$ 287,728
Accounts receivable	34,806				34,806
Contributions receivable, net	475,446				475,446
Investments	3,646,632				3,646,632
Prepaid expenses and other	29,919				29,919
Inventories	6,785				6,785
Total Current Assets	4,468,763	12,553			4,481,316
Noncurrent Assets					
Contributions receivable, net	1,010,147				1,010,147
Investments	600,000				600,000
Property and equipment, net	528,945	18,021,365		\$ (107,932)	18,442,378
Other assets		35,021			35,021
Mortgage note receivable	17,463,986			(17,463,986)	
Investment in subsidiary	75,000		\$ 75,000	(150,000)	
Total Noncurrent Assets	19,678,078	18,056,386	75,000	(17,721,918)	20,087,546
Total Assets	\$ 24,146,841	\$ 18,068,939	\$ 75,000	\$ (17,721,918)	\$ 24,568,862
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	\$ 121,542	\$ 565,306			\$ 121,542
Construction payables					565,306
Total Current Liabilities	121,542	565,306			686,848
Mortgage Note Payable		17,463,986		\$ (17,463,986)	
Net Assets					
Without donor restrictions					
Controlling interest	23,308,163	39,647	\$ 75,000	(455,161)	22,967,649
Noncontrolling interest				197,229	197,229
	23,308,163	39,647	75,000	(257,932)	23,164,878
With donor restrictions	717,136				717,136
Total Net Assets	24,025,299	39,647	75,000	(257,932)	23,882,014
Total Liabilities and Net Assets	\$ 24,146,841	\$ 18,068,939	\$ 75,000	\$ (17,721,918)	\$ 24,568,862

See Independent Auditors' Report

Consolidating Statement of Activities

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

Year Ended December 31, 2019

	Ronald McDonald House Charities of Kentuckiana, Inc.	RMHCK Real Estate, LLC	RMHCK Real Estate Member, Inc.	Eliminations	Consolidated
Without Donor Restrictions					
Revenues and Other Support					
Contributions	\$ 1,254,041				\$ 1,254,041
Special events	610,845				610,845
Room donations/fees	147,667				147,667
Mortgage Interest income	425,548			\$ (425,548)	
Other income	10,573				10,573
Net assets released from restrictions	<u>10,237,802</u>				<u>10,237,802</u>
Total Revenues and Other Support	12,686,476			(425,548)	12,260,928
Expenses					
Program services	1,497,218	\$ 397,824		(186,204)	1,708,838
Cost of direct benefits to donors	169,602				169,602
Management and general administration	226,887				226,887
Fundraising	<u>379,969</u>				<u>379,969</u>
Total Expenses	2,273,676	397,824		(186,204)	2,485,296
Change Net Assets From Operations	10,412,800	(397,824)		(239,344)	9,775,632
Loss on disposal of prior building improvements	(1,316,463)				(1,316,463)
Investment Income, net	616,217	712			616,929
Change in Net Assets Without Donor Restrictions	9,712,554	(397,112)		(239,344)	9,076,098
With Donor Restrictions					
Revenues and Other Support					
Contributions	885,496				885,496
Net assets released from restrictions	<u>(10,237,802)</u>				<u>(10,237,802)</u>
Total Revenues and Other Support	(9,352,306)				(9,352,306)
Investment Income	105,536				105,536
Change in Net Assets With Donor Restrictions	(9,246,770)				(9,246,770)
Consolidated Change in Net Assets	465,784	(397,112)		(239,344)	(170,672)
Less noncontrolling interest in RMHCK Real Estate LLC, loss				<u>393,141</u>	<u>393,141</u>
Change in Net Assets Attributable to Controlling Interest	465,784	(397,112)		153,797	222,469
Net Assets Beginning of Year	23,559,515	10,137,416	\$ 1	(10,137,417)	23,559,515
Conversion of contributed capital to debt		(10,268,828)		10,268,828	
Syndication costs		(97,199)			(97,199)
Contribution of assets from RMHCK Real Estate Member		75,000	74,999	(149,999)	
Contribution of capital, Enhanced Capital HTC Fund, III		<u>590,370</u>		<u>(393,141)</u>	<u>197,229</u>
Net Assets End of Year	\$ 24,025,299	\$ 39,647	\$ 75,000	\$ (257,932)	\$ 23,882,014

See Independent Auditors' Report

Consolidating Statement of Cash Flows

Ronald McDonald House Charities of Kentuckiana, Inc. and Affiliates

Year Ended December 31, 2019

	Ronald McDonald House Charities of Kentuckiana, Inc.	RMHCK Real Estate, LLC	RMHCK Real Estate Member, Inc.	RMHCK Real Estate Managing Member, LLC	Eliminations	Consolidated
Operating Activities						
Change in net assets	\$ 465,784	\$ (397,112)			\$ (239,344)	\$ (170,672)
Adjustments						
Depreciation and amortization	25,977	197,010				222,987
Loss on disposal of prior building improvements	1,316,463					1,316,463
Net realized and unrealized gains on investments	(629,567)					(629,567)
Contributions restricted for long-term purposes	(871,992)					(871,992)
Change in discount of pledges receivable	(58,904)					(58,904)
Changes in operating assets and liabilities						
Accounts receivable	(22,509)					(22,509)
Contributions receivable	836,347					836,347
Inventories	2,491					2,491
Prepaid expenses	135					135
Other assets		(35,021)				(35,021)
Accounts payable and accrued expenses	(24,143)					(24,143)
Net Cash Provided By (Used In) Operating Activities	1,040,082	(235,123)			(239,344)	565,615
Investing Activities						
Purchases of property and equipment	(1,657,742)	(9,551,383)			107,933	(11,101,192)
Purchases of investments	(1,253,875)					(1,253,875)
Proceeds from sale of investments	8,441,099					8,441,099
Net Cash Provided By (Used In) Investing Activities	5,529,482	(9,551,383)			107,933	(3,913,968)
Financing Activities						
Capital contributions to RMHCK Real Estate LLC	(7,401,569)	7,860,528			131,411	590,370
Syndication costs		(97,199)				(97,199)
Contributions restricted for long-term purposes	871,992					871,992
Net Cash Provided By (Used In) Financing Activities	(6,529,577)	7,763,329			131,411	1,365,163
Net Increase (Decrease) in Cash and Cash Equivalents	39,987	(2,023,177)				(1,983,190)
Cash and Cash Equivalents Beginning of Year	235,188	2,035,730				2,270,918
Cash and Cash Equivalents End of Year	\$ 275,175	\$ 12,553	\$	\$	\$	\$ 287,728

See Independent Auditors' Report