

Consolidated Financial Statements
and Consolidating Information

2018

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

December 31, 2018



Consolidated Financial Statements
and Consolidating Information

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries (collectively referred to as "RMHCK") which are comprised of the consolidated statements of financial position as of December 31, 2018 and 2017, 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 Subsidiaries as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A, the Organization adopted the requirements of Financial Accounting Standards Board, Accounting Standards Update No. 2016-14 (New Not-for-Profit Reporting Model) retroactive to 2017. 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 26 through 28 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
September 18, 2019

Consolidated Statements of Financial Position

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

	December 31	
	2018	2017
Current Assets		
Cash and cash equivalents	\$ 2,270,918	\$ 356,528
Accounts receivable	16,346	39,991
Contributions receivable, net	469,185	653,932
Investments	10,204,289	4,024,927
Prepaid expenses	26,006	21,831
Inventories	9,276	9,065
	<hr/>	<hr/>
Total Current Assets	12,996,020	5,106,274
Noncurrent Assets		
Contributions receivable, net	1,793,851	1,209,014
Investments	600,000	600,000
Property and equipment, net	9,953,130	6,830,475
	<hr/>	<hr/>
Total Noncurrent Assets	12,346,981	8,639,489
	<hr/>	<hr/>
Total Assets	\$ 25,343,001	\$ 13,745,763
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 145,685	\$ 125,615
Construction payables	1,637,801	
Note payable, net		3,636,614
	<hr/>	<hr/>
Total Current Liabilities	1,783,486	3,762,229
Net Assets		
Without donor restrictions	13,595,609	7,443,715
With donor restrictions	9,963,906	2,539,819
	<hr/>	<hr/>
Total Net Assets	23,559,515	9,983,534
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 25,343,001	\$ 13,745,763
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See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

	Year Ended December 31					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Contributions	\$ 917,380	\$ 13,974,132	\$ 14,891,512	\$ 1,102,785	\$ 2,095,445	\$ 3,198,230
Special events	536,709		536,709	454,951		454,951
Room donations/fees	159,780		159,780	168,772		168,772
Other income	18,405		18,405	20,121		20,121
Net assets released from restrictions	6,525,385	(6,525,385)		371,126	(371,126)	
Total Revenues and Other Support	8,157,659	7,448,747	15,606,406	2,117,755	1,724,319	3,842,074
Expenses						
Program services	1,183,638		1,183,638	1,207,793		1,207,793
Cost of direct benefits to donors	160,252		160,252	141,286		141,286
Management and general administration	242,050		242,050	289,452		289,452
Fundraising	362,116		362,116	322,929		322,929
Unallocated payments to RMHC Global				54,403		54,403
Total Expenses	1,948,056		1,948,056	2,015,863		2,015,863
Change in Net Assets From Operations	6,209,603	7,448,747	13,658,350	101,892	1,724,319	1,826,211
Investment Income (Loss), net	(57,709)	(24,660)	(82,369)	543,269	69,492	612,761
Change in Net Assets	6,151,894	7,424,087	13,575,981	645,161	1,793,811	2,438,972
Net Assets Beginning of Year	7,443,715	2,539,819	9,983,534	6,798,554	746,008	7,544,562
Net Assets End of Year	\$ 13,595,609	\$ 9,963,906	\$ 23,559,515	\$ 7,443,715	\$ 2,539,819	\$ 9,983,534

See Notes to Consolidated Financial Statements

Consolidated Statements of Functional Expenses

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

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 Functional Expenses

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

Year Ended December 31, 2017

	Program Services		Management and General Administration	Fundraising	Cost of Direct Benefits to Donors	Total
	Ronald McDonald House	Ronald McDonald Family Rooms				
Salaries	\$ 381,347	\$ 381,347	\$ 88,003	117,337	\$	\$ 586,687
Employee benefits	37,692	37,692	22,745	4,549		64,986
Payroll taxes	27,575	27,575	5,826	5,437		38,838
Total Salaries and Related Expenses	446,614	446,614	116,574	127,323		690,511
Ancillary						
Board expense	11,966	11,966		11,966		23,932
Capital campaign	3,950	3,950	2,633			6,583
Cleaning service and supplies	131,709	131,709		53,332		53,332
Depreciation	173,531	173,531	3,615	3,615		131,709
Direct mail	34,748	34,748		61,774		180,761
Donation box collection fees				26,935		96,522
Family room expense		\$ 7,736				26,935
Fund raising events				8,656	\$ 139,065	7,736
Grants and scholarships	42,260	42,260				147,721
Insurance	28,144	28,144	1,481			42,260
Interest expense	17,848	17,848				29,625
Maintenance and repairs	89,457	89,457				17,848
Night security	40,707	40,707				89,457
Office supplies	5,166	5,166				40,707
Other expenses	14,920	14,920		3,874		12,914
Postage	2,266	2,266	378	5,294		47,954
Printing and publishing	33,929	33,929	5,220	1,133		3,777
Professional fees			107,377	13,050		52,199
Rental supplies			6,508			107,377
Sales tax	880	880				6,508
Technology	4,288	4,288	4,288	5,648		880
Telephone	10,425	10,425	219	329		14,224
Travel, meals and entertainment	4,503	4,503	4,503			10,973
Utilities	95,807	95,807	5,042			9,006
Volunteer resources and recognition	6,939	6,939			2,221	100,849
Total Functional Expenses	\$ 1,200,057	\$ 7,736	\$ 289,452	\$ 322,929	\$ 141,286	\$ 1,961,460
Unallocated payments to RMHC Global						54,403
Total Expenses						\$ 2,015,863

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

	Year Ended December 31	
	2018	2017
Operating Activities		
Change in net assets	\$ 13,575,981	\$ 2,438,972
Adjustments		
Depreciation	150,360	180,761
Amortization	13,386	17,848
Loss on disposal of assets		247
Net realized and unrealized (gains) losses on investments	269,967	(496,936)
Contributions restricted for long-term purposes	(13,448,535)	(135,238)
Change in discount of pledges receivable	86,264	69,678
Changes in operating assets and liabilities		
Accounts receivable	23,645	(17,814)
Contributions receivable	(486,354)	(1,840,109)
Inventories	(211)	(1,149)
Prepaid expenses	(4,175)	4,700
Other assets		100,454
Accounts payable and accrued expenses	20,070	(109,079)
Net Cash Provided By Operating Activities	200,398	212,335
Investing Activities		
Purchases of property and equipment	(1,635,214)	(475,977)
Purchases of investments	(12,614,321)	(1,242,018)
Proceeds from sale of investments	6,164,992	1,302,755
Net Cash Used In Investing Activities	(8,084,543)	(415,240)
Financing Activities		
Payments on note payable	(3,650,000)	
Collections of contributions restricted for long-term purposes	13,448,535	135,238
Net Cash Provided By Financing Activities	9,798,535	135,238
Net Increase (Decrease) in Cash and Cash Equivalents	1,914,390	(67,667)
Cash and Cash Equivalents Beginning of Year	356,528	424,195
Cash and Cash Equivalents End of Year	\$ 2,270,918	\$ 356,528
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 66,628	\$ 98,267
Capitalized construction costs unpaid at end of year	\$ 1,637,801	

See Notes to Consolidated Financial Statements

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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.

Effective August 22, 2017, RMHCK Real Estate, LLC and RMHCK Real Estate Managing Member, LLC were formed as limited liability companies. Effective December 21, 2017, RMHCK Real Estate Member, Inc. was formed as a corporation. RMHCK Real Estate Managing Member, LLC and RMHCK Real Estate Member, Inc. are wholly owned subsidiaries of RMHCK. RMHCK Real Estate, LLC is owned 99% by RMHCK and 1% by RMHCK Real Estate Member, Inc. These entities were formed as RMHCK pursues 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.

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

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:

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.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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

Cash and Cash Equivalents--RMHCK considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, 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. The RMHCK's cash accounts were fully insured as of December 31, 2017.

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 2018 and 2017. There were no amounts determined to be uncollectible for the years ended December 31, 2018 and 2017, 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, 2018 or 2017.

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.

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.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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

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 in its consolidated financial statements and similarly increase contribution revenue by a like amount. Contributed services and in-kind contributions were \$130,452 and \$150,501 for the years ended December 31, 2018 and 2017, respectively.

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, 2018 and 2017.

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.

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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

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 \$26,361 and \$39,013 for the years ended December 31, 2018 and 2017, 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 2017 consolidated financial statement balances have been reclassified to conform to 2018 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 September 18, 2019, the date the consolidated financial statements were available to be issued.

New Accounting Pronouncement--During the year ended December 31, 2018, RMHCK adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU No. 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A required footnote on liquidity has also been added (Note I).

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note B--Contributions Receivable

Contributions receivable consists of the following:

	December 31	
	2018	2017
Amounts due in:		
Less than one year	\$ 469,185	\$ 653,932
One to five years	1,648,793	1,278,692
More than five years	301,000	-
	<hr/>	<hr/>
Total	2,418,978	1,932,624
Unamortized discount	155,942	69,678
Allowance for uncollectibles	-	-
	<hr/>	<hr/>
Net Contributions Receivable	\$ 2,263,036	\$ 1,862,946

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 the 1-year treasury bill rate, (2.63% as of December 31, 2018). For 2017, the applicable discount used was equivalent to RMHCK's incremental borrowing rate (2.67% as of December 31, 2017).

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note C--Investments

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	<u>984,728</u>	<u>1,010,692</u>	<u>(25,964)</u>
Total Undesignated Investments	2,282,983	2,235,360	47,623
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	<u>526,655</u>	<u>540,881</u>	<u>(14,226)</u>
Total Designated Investments	1,333,888	1,282,257	51,631
Restricted			
Ronald McDonald House Charities Restricted Fund			
Cash equivalents	<u>6,539,148</u>	<u>6,539,148</u>	<u>-</u>
Total Ronald McDonald House Charities Restricted Fund	6,539,148	6,539,148	-

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note C--Investments--Continued

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
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
Janet Arentsen Endowment Fund			
Cash equivalents	612	612	-
Exchange traded funds	10,910	10,728	182
Mutual funds			
Index funds	21,985	18,954	3,031
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>115,966</u>	<u>4,798</u>
Total Janet Arentsen Endowment Fund	120,764	115,966	4,798
	<u>7,187,418</u>	<u>7,175,676</u>	<u>11,742</u>
Total Restricted Investments	7,187,418	7,175,676	11,742
	<u>\$ 10,804,289</u>	<u>\$ 10,693,293</u>	<u>\$ 110,996</u>
Total Investments	\$ 10,804,289	\$ 10,693,293	\$ 110,996

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note C--Investments--Continued

Investments consist of the following at December 31, 2017:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Undesignated			
Operating Reserve Fund			
Cash equivalents	\$ 13,123	\$ 13,123	\$ -
Mutual funds			
Index funds	347,682	285,826	61,856
Domestic equity	627,171	555,953	71,218
International equity	430,438	356,154	74,284
Bond funds	814,242	813,638	604
Total Undesignated Investments	2,232,656	2,024,694	207,962
Designated			
Capital Project Fund			
Cash equivalents	32,129	32,129	-
Mutual funds			
Index funds	271,638	221,992	49,646
Domestic equity	494,651	429,057	65,594
International equity	321,925	266,953	54,972
Bond funds	562,496	561,894	602
Total Designated Investments	1,682,839	1,512,025	170,814
Restricted			
Kroc Restricted Fund			
Cash equivalents	3,475	3,475	-
Exchange traded funds	35,456	29,702	5,754
Mutual funds			
Index funds	120,939	99,077	21,862
Domestic equity	146,892	135,067	11,825
International equity	72,468	64,575	7,893
Bond funds	197,386	197,484	(98)
Total Kroc Restricted Fund	576,616	529,380	47,236

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note C--Investments--Continued

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Janet Arentsen Endowment Fund			
Cash equivalents	900	900	-
Exchange traded funds	11,983	9,536	2,447
Mutual funds			
Index funds	23,909	19,697	4,212
Domestic equity	39,798	33,660	6,138
International equity	34,406	28,920	5,486
Bond funds	21,820	21,688	132
Total Janet Arentsen Endowment Fund	<u>132,816</u>	<u>114,401</u>	<u>18,415</u>
Total Restricted Investments	<u>709,432</u>	<u>643,781</u>	<u>65,651</u>
Total Investments	<u>\$ 4,624,927</u>	<u>\$ 4,180,500</u>	<u>\$ 444,427</u>

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

	<u>Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 208,222	\$ 136,447
Net realized and unrealized gains on investments reported at fair value	(269,967)	496,936
Less investment related expenses	<u>(20,624)</u>	<u>(20,622)</u>
	<u>\$ (82,369)</u>	<u>\$ 612,761</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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:

As of December 31, 2018

	<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>

Continued

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note C--Investments--Continued

As of December 31, 2017

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 49,627	\$ 49,627	\$ -	\$ -
Exchange traded funds	47,439	47,439	-	-
Mutual funds				
Index funds	764,168	764,168	-	-
Domestic equity	1,308,512	1,308,512	-	-
International equity	859,237	859,237	-	-
Bond funds	1,595,944	1,595,944	-	-
	<u>\$ 4,624,927</u>	<u>\$ 4,624,927</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 2018 or 2017.

Note D--Property and Equipment

Property and equipment consisted of the following:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 510,000	\$ 510,000
Buildings and improvements	4,974,559	4,974,559
Construction in progress	6,842,935	3,576,005
Furniture and equipment	979,094	973,008
	<u>13,306,588</u>	<u>10,033,572</u>
Total, at Cost	13,306,588	10,033,572
Less accumulated depreciation	<u>(3,353,458)</u>	<u>(3,203,097)</u>
	<u>\$ 9,953,130</u>	<u>\$ 6,830,475</u>
Net Property and Equipment	<u>\$ 9,953,130</u>	<u>\$ 6,830,475</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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 of the building, including \$66,628 and \$98,267 of related capitalized interest for the years ended December 31, 2018 and 2017, respectively, is included in construction in progress at December 31, 2018 and 2017. The cost to renovate the new building and put the building into use is expected to approximate between \$7,000,000 and \$8,000,000. Management estimates this first phase of the overall project will be completed in 2019. The capital campaign also includes an additional \$7,000,000 to \$8,000,000 to renovate the existing House and rooms so as to join the existing House and the new building. Management estimates this second phase of the overall project will be completed in early 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 with the use is restricted by the donor or is subject to a time restriction. For the years ended December 31, 2018 and 2017, the activity in net assets with donor restrictions consisted of the following:

	<u>Balance January 1, 2018</u>	<u>Restricted Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance December 31, 2018</u>
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	<u>109,432</u>	<u>(24,660)</u>	<u>(36,502)</u>	<u>48,270</u>
	<u>\$ 2,539,819</u>	<u>\$ 13,949,472</u>	<u>\$ (6,525,385)</u>	<u>\$ 9,963,906</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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

	<u>Balance January 1, 2017</u>	<u>Restricted Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance December 31, 2017</u>
Restricted for Specified Purpose				
Debt relief and building renovations		\$ 2,095,445	\$ (265,058)	\$ 1,830,387
Grants	\$ 100,000		(100,000)	
Kroc and Arentsen Endowments				
Investment in perpetuity	600,000			600,000
Unappropriated endowment earnings	46,008	69,492	(6,068)	109,432
	<u>\$ 746,008</u>	<u>\$ 2,164,937</u>	<u>\$ (371,126)</u>	<u>\$ 2,539,819</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

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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, 2018 and 2017 are as follows:

	Board- designated Endowment (Net Assets without Donor Restrictions)	Donor- restricted Endowment (Net Assets with Donor Restrictions)
Balance at January 1, 2017	\$ 1,593,356	\$ 646,008
Investment income	29,339	12,264
Net appreciation	255,215	57,228
Amounts appropriated for expenditure	<u>(195,071)</u>	<u>(6,068)</u>
Total Change in Endowment	<u>89,483</u>	<u>63,424</u>
Balance at December 31, 2017	1,682,839	709,432
Investment income	25,335	12,754
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>(61,162)</u>
Balance at December 31, 2018	<u>\$ 1,333,888</u>	<u>\$ 648,270</u>

Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

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 the RMHCK determine.

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, 2018 or December 31, 2017.

Note H--Retirement Plan

RMHCK has a simple IRA retirement plan. RMHCK matches 100% employees' contributions up to three percent of their compensation. RMHCK made contributions of \$14,503 and \$14,476 for the years ended December 31, 2018 and 2017, respectively. The contributions are included in employee benefits on the consolidated statements of functional expenses.

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note I--Liquidity and Availability of Funds

RMHCK has \$6,931,804 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$2,270,918 and contributions receivable of \$770,186. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

RMHCK has a goal to maintain financial assets, and specifically cash, on hand to meet 365 days of normal operating expenses, which are, on average, approximately \$1.8 million. RMHCK has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets, at year-end	\$ 14,754,589
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor for capital projects	(9,315,636)
Board designated capital project funds	<u>(1,333,888)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 4,105,065</u></u>
Cash and cash equivalents	\$ 2,270,918
Accounts receivable	16,346
Contributions receivable, net	2,263,036
Investments	<u>10,204,289</u>
	<u><u>\$ 14,754,589</u></u>

Notes to Consolidated Financial Statements--Continued

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note J--Donated Goods and Services

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	330			330
	<u>\$ 129,671</u>	<u>\$ 430</u>	<u>\$ 351</u>	<u>\$ 130,452</u>

Donated goods and services consists of the following for the year ended December 31, 2017:

	<u>Program Services</u>	<u>Management and General Administration</u>	<u>Fundraising</u>	<u>Total</u>
Cleaning service and supplies	\$ 110,868			\$ 110,868
Maintenance and repairs	8,977			8,977
Office supplies	2,675			2,675
Printing and publishing	200	\$ 150	\$ 150	500
Professional fees		26,358		26,358
Volunteer recognition	1,123			1,123
	<u>\$ 123,843</u>	<u>\$ 26,508</u>	<u>\$ 150</u>	<u>\$ 150,501</u>

Note K--Concentrations

During the year ended December 31, 2018, one donor accounted for 76% of RMHCK's total revenue and other support. Two different donors accounted for approximately 84% of the contribution receivable balance as of December 31, 2018.

During the year ended December 31, 2017, one donor accounted for approximately 27% of RMHCK's total revenue and other support. This same donor accounted for approximately 57% of the contribution receivable balance as of December 31, 2017.

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018 and 2017

Note L--Subsequent Events

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>	
2019	\$ -
2020	212,743
2021	260,398
2022	260,398
2023	265,606
Thereafter	<u>3,977,191</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 will require quarterly interest payments through September 30, 2020, then quarterly payments based on the maturity date of February 20, 2049.

For financial reporting purposes, RMHCK will continue 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 will be eliminated from the consolidated financial statements.

Consolidating Information

Consolidating Statement of Financial Position

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

December 31, 2018

	Ronald McDonald House Charities of Kentuckiana, Inc.	RMHCK Real Estate, LLC	RMHCK Real Estate Member, Inc.	RMHCK Real Estate Managing Member, LLC	Eliminations	Consolidated
Current Assets						
Cash and cash equivalents	\$ 235,188	\$ 2,035,730				\$ 2,270,918
Accounts receivable, net	16,345		\$ 1			16,346
Contributions receivable, net	469,185					469,185
Investments	10,204,289					10,204,289
Prepaid expenses	26,006					26,006
Inventories	9,276					9,276
Total Current Assets	10,960,289	2,035,730	1			12,996,020
Noncurrent Assets						
Contributions receivable, net	1,793,851					1,793,851
Investments	600,000					600,000
Property and equipment, net	213,643	9,739,487				9,953,130
Investment in subsidiaries	10,137,417				\$ (10,137,417)	
Total Noncurrent Assets	12,744,911	9,739,487			(10,137,417)	12,346,981
Total Assets	\$ 23,705,200	\$ 11,775,217	\$ 1	\$ -	\$ (10,137,417)	\$ 25,343,001
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 145,685					\$ 145,685
Construction payables		\$ 1,637,801				1,637,801
Total Current Liabilities	145,685	1,637,801				1,783,486
Net Assets						
Without donor restrictions	13,595,609	10,137,416	\$ 1		\$ (10,137,417)	13,595,609
With donor restrictions	9,963,906					9,963,906
Total Net Assets	23,559,515	10,137,416	1		(10,137,417)	23,559,515
Total Liabilities and Net Assets	\$ 23,705,200	\$ 11,775,217	\$ 1	\$ -	\$ (10,137,417)	\$ 25,343,001

See Independent Auditors' Report

Consolidating Statement of Activities

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

Year Ended December 31, 2018

	Ronald McDonald House Charities of Kentuckiana, Inc.	RMHCK Real Estate, LLC	RMHCK Real Estate Member, Inc.	RMHCK Real Estate Managing Member, LLC	Eliminations	Consolidated
Without Donor Restrictions						
Revenues and Other Support						
Contributions	\$ 917,380					\$ 917,380
Special events	536,709					536,709
Room donations/fees	159,780					159,780
Other income	18,405	150			(150)	18,405
Net assets released from restrictions	6,525,385					6,525,385
Total Revenues and Other Support	8,157,659	150			(150)	8,157,659
Expenses						
Program services	1,055,144	128,494				1,183,638
Cost of direct benefits to donors	160,252					160,252
Management and general administration	239,131	3,069			(150)	242,050
Fundraising	362,116					362,116
Loss in RMHCK Real Estate, LLC	131,413				(131,413)	
Total Expenses	1,948,056	131,563			(131,563)	1,948,056
Change Net Assets From Operations	6,209,603	(131,413)			131,413	6,209,603
Investment Loss, net	(57,709)					(57,709)
Change in Net Assets Without Donor Restrictions	6,151,894	(131,413)			131,413	6,151,894
With Donor Restrictions						
Revenues and Other Support						
Contributions	13,974,132					13,974,132
Net assets released from restrictions	(6,525,385)					(6,525,385)
Total Revenues and Other Support	7,448,747					7,448,747
Investment Loss	(24,660)					(24,660)
Change in Net Assets With Donor Restrictions	7,424,087					7,424,087
Change in Net Assets	13,575,981	(131,413)			131,413	13,575,981
Net Assets Beginning of Year	9,983,534	6,655,279			(6,655,279)	9,983,534
Contribution of capital and assets		3,613,550	\$ 1		(3,613,551)	
Net Assets End of Year	\$ 23,559,515	\$ 10,137,416	\$ 1	\$ -	\$ (10,137,417)	\$ 23,559,515

See Independent Auditors' Report

Consolidating Statement of Cash Flows

Ronald McDonald House Charities of Kentuckiana, Inc. and Subsidiaries

Year Ended December 31, 2018

	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 Adjustments	\$ 13,575,981	\$ (131,413)			\$ 131,413	\$ 13,575,981
Depreciation	21,866	128,494				150,360
Amortization	13,386					13,386
Net realized and unrealized losses on investments	269,967					269,967
Contributions restricted for long-term purposes	(13,448,535)					(13,448,535)
Change in discount of pledges receivable	86,264					86,264
Changes in operating assets and liabilities						
Accounts receivable	23,646		\$ (1)			23,645
Contributions receivable	(486,354)					(486,354)
Inventories	(211)					(211)
Prepaid expenses	(4,175)					(4,175)
Accounts payable and accrued expenses	20,070					20,070
Net Cash Provided By (Used In) Operating Activities	71,905	(2,919)	(1)		131,413	200,398
Investing Activities						
Purchases of property and equipment	(60,213)					(1,635,214)
Purchases of investments	(12,614,321)	(1,575,001)				(12,614,321)
Proceeds from sale of investments	6,164,992					6,164,992
Collections of capital contribution to subsidiary	(3,482,138)	3,613,550	1		(131,413)	-
Net Cash Provided By (Used In) Investing Activities	(9,991,680)	2,038,549	1		(131,413)	(8,084,543)
Financing Activities						
Payments on note payable	(3,650,000)					(3,650,000)
Contributions restricted for long-term purposes	13,448,535					13,448,535
Net Cash Provided By Financing Activities	9,798,535					9,798,535
Net Increase (Decrease) in Cash and Cash Equivalents	(121,240)	2,035,630				1,914,390
Cash and Cash Equivalents Beginning of Year	356,428	100				356,528
Cash and Cash Equivalents End of Year	\$ 235,188	\$ 2,035,730	\$	\$	\$	\$ 2,270,918

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