# Ronald McDonald House Charities of the Miami Valley Region, Inc.

Financial Statements

December 31, 2017 and 2016

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees
Ronald McDonald House Charities
of The Miami Valley Region, Inc.

**Report on the Financial Statements**
We have audited the accompanying financial statements of Ronald McDonald House Charities of the Miami Valley Region, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

*Clark, Schaefer, Hackett & Co.*

Dayton, Ohio
August 31, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 120,641 | - | - | 120,641 |
| Receivables: | | | | |
| Contributions receivable, net | - | 54,823 | - | 54,823 |
| Accounts receivable | 45,280 | - | - | 45,280 |
| Prepaid expenses | 4,670 | - | - | 4,670 |
| | 170,591 | 54,823 | - | 225,414 |
| Other assets: | | | | |
| Contributions receivable, net | - | 94,442 | - | 94,442 |
| Beneficial interest in investments held by the Dayton Foundation | 81,841 | 754,520 | 521,250 | 1,357,611 |
| Property and equipment, net | 2,186,842 | - | - | 2,186,842 |
| | 2,268,683 | 848,962 | 521,250 | 3,638,895 |
| | $ 2,439,274 | 903,785 | 521,250 | 3,864,309 |
| **Liabilities and net assets** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 111,612 | - | - | 111,612 |
| Accrued payroll and other | 35,045 | - | - | 35,045 |
| | 146,657 | - | - | 146,657 |
| Net assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | 23,934 | - | - | 23,934 |
| Board-designated | 81,841 | - | - | 81,841 |
| Investment in property and equipment | 2,186,842 | - | - | 2,186,842 |
| Temporarily restricted | - | 903,785 | - | 903,785 |
| Permanently restricted | - | - | 521,250 | 521,250 |
| | 2,292,617 | 903,785 | 521,250 | 3,717,652 |
| | $ 2,439,274 | 903,785 | 521,250 | 3,864,309 |

See accompanying notes to financial statements.

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 103,453 | - | - | 103,453 |
| Receivables: | | | | |
| Contributions receivable, net | 68,919 | - | - | 68,919 |
| Accounts receivable | 47,833 | - | - | 47,833 |
| Legal settlement | 75,000 | - | - | 75,000 |
| Prepaid expenses | 20,132 | - | - | 20,132 |
| | 315,337 | - | - | 315,337 |
| Other assets: | | | | |
| Beneficial interest in investments held by the Dayton Foundation | 190,446 | 621,090 | 521,250 | 1,332,786 |
| Property and equipment, net | 2,263,179 | - | - | 2,263,179 |
| | 2,453,625 | 621,090 | 521,250 | 3,595,965 |
| | $ 2,768,962 | 621,090 | 521,250 | 3,911,302 |
| **Liabilities and net assets** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 71,624 | - | - | 71,624 |
| Accrued payroll and other | 31,124 | - | - | 31,124 |
| | 102,748 | - | - | 102,748 |
| Net assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | 212,589 | - | - | 212,589 |
| Board-designated | 190,446 | - | - | 190,446 |
| Investment in property and equipment | 2,263,179 | - | - | 2,263,179 |
| Temporarily restricted | - | 621,090 | - | 621,090 |
| Permanently restricted | - | - | 521,250 | 521,250 |
| | 2,666,214 | 621,090 | 521,250 | 3,808,554 |
| | $ 2,768,962 | 621,090 | 521,250 | 3,911,302 |

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Changes in net assets: | | | | |
| Public support: | | | | |
| Contributions | $ 645,489 | 149,265 | - | 794,754 |
| Family room service fees | 117,084 | - | - | 117,084 |
| Special fundraising events, net of direct expenses of $86,147 | 170,448 | - | - | 170,448 |
| Grants | 188,568 | - | - | 188,568 |
| United Way | 21,175 | - | - | 21,175 |
| Donated services and materials | 110,136 | - | - | 110,136 |
| Total public support | 1,252,900 | 149,265 | - | 1,402,165 |
| Revenues and gains: | | | | |
| Net gain on beneficial interests in investments held by the Dayton Foundation | 41,395 | 133,430 | - | 174,825 |
| Total public support, revenues and gains | 1,294,295 | 282,695 | - | 1,576,990 |
| Expenses: | | | | |
| Program services | 1,070,290 | - | - | 1,070,290 |
| General and administrative | 120,856 | - | - | 120,856 |
| Fundraising | 429,999 | - | - | 429,999 |
| Unallocated payments to RMHC Global | 46,747 | - | - | 46,747 |
| Total expenses | 1,667,892 | - | - | 1,667,892 |
| Change in net assets | (373,597) | 282,695 | - | (90,902) |
| Net assets, beginning of year | 2,666,214 | 621,090 | 521,250 | 3,808,554 |
| Net assets, end of year | $ 2,292,617 | 903,785 | 521,250 | 3,717,652 |

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Changes in net assets: | | | | |
| Public support: | | | | |
| Contributions | $ 741,416 | - | - | 741,416 |
| Family room service fees | 70,000 | - | - | 70,000 |
| Special fundraising events, net of direct expenses of $69,630 | 211,813 | - | - | 211,813 |
| Grants | 32,500 | - | - | 32,500 |
| United Way | 20,462 | - | - | 20,462 |
| Donated services and materials | 201,627 | - | - | 201,627 |
| Net assets released from restrictions | 6,694 | (6,694) | - | - |
| Total public support | 1,284,512 | (6,694) | - | 1,277,818 |
| Revenues and gains: | | | | |
| Net gain on beneficial interests in investments held by the Dayton Foundation | - | 99,973 | - | 99,973 |
| Legal settlements | 75,000 | - | - | 75,000 |
| Total revenues and gains | 75,000 | 99,973 | - | 174,973 |
| Total public support, revenues and gains | 1,359,512 | 93,279 | - | 1,452,791 |
| Expenses: | | | | |
| Program services | 1,004,304 | - | - | 1,004,304 |
| General and administrative | 56,887 | - | - | 56,887 |
| Fundraising | 347,049 | - | - | 347,049 |
| Unallocated payments to RMHC Global | 55,410 | - | - | 55,410 |
| Total expenses | 1,463,650 | - | - | 1,463,650 |
| Change in net assets | (104,138) | 93,279 | - | (10,859) |
| Net assets, beginning of year | 2,770,352 | 527,811 | 521,250 | 3,819,413 |
| Net assets, end of year | $ 2,666,214 | 621,090 | 521,250 | 3,808,554 |

| | Program Services | General and Administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 377,549 | 38,395 | 223,969 | 639,913 |
| Payroll taxes | 35,806 | 3,641 | 21,240 | 60,687 |
| Health insurance | 47,821 | 4,863 | 28,368 | 81,052 |
| Retirement contribution | 7,080 | 720 | 4,201 | 12,001 |
| Auto | 1,548 | - | 477 | 2,025 |
| House supplies | 27,955 | - | - | 27,955 |
| Maintenance and repairs | 39,931 | 852 | 2,131 | 42,914 |
| Property and liability insurance | 12,539 | 270 | 674 | 13,483 |
| Real estate taxes | 4,639 | 100 | 249 | 4,988 |
| Telephone | 10,996 | 237 | 591 | 11,824 |
| Utilities | 35,880 | 772 | 1,929 | 38,581 |
| Bank charges | 10,790 | 232 | 580 | 11,602 |
| Dues, subscriptions, and memberships | 140 | 2,802 | 819 | 3,761 |
| Meetings, training, and seminars | 5,858 | 9,576 | 770 | 16,204 |
| Payroll administration | 1,422 | 145 | 844 | 2,411 |
| Office supplies | 11,809 | 242 | 603 | 12,654 |
| Postage: | | | | |
| Postage/shipping | - | 264 | - | 264 |
| Direct mails | - | - | 83,997 | 83,997 |
| Professional fees | 17,725 | 39,145 | 361 | 57,231 |
| Consulting fees | 17,662 | 380 | 4,374 | 22,416 |
| Contract labor | 51,135 | 3,026 | 31,647 | 85,808 |
| Taxes and licenses | 330 | 1,643 | 340 | 2,313 |
| Volunteer and donor recognition | 451 | 396 | 1,678 | 2,525 |
| Printing and publishing | 1,957 | - | 4,497 | 6,454 |
| Donated goods and services | 97,776 | - | 7,360 | 105,136 |
| Grant expense | 126,800 | - | - | 126,800 |
| Miscellaneous | 12,669 | 10,746 | 2,277 | 25,692 |
| Total functional expenses before depreciation | 958,268 | 118,447 | 423,976 | 1,500,691 |
| Depreciation | 112,022 | 2,409 | 6,023 | 120,454 |
| Total functional expenses | $ 1,070,290 | 120,856 | 429,999 | 1,621,145 |

See accompanying notes to financial statements.

Ronald McDonald House Charities of the Miami Valley Region, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

| | Program Services | General and Administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 329,561 | 33,515 | 195,502 | 558,578 |
| Payroll taxes | 49,594 | 122 | 710 | 50,426 |
| Health insurance | 52,012 | 5,289 | 30,854 | 88,155 |
| Retirement contribution | 4,953 | 504 | 2,938 | 8,395 |
| Auto | 1,576 | 122 | 710 | 2,408 |
| House supplies | 20,215 | - | - | 20,215 |
| Maintenance and repairs | 40,929 | 880 | 2,201 | 44,010 |
| Property and liability insurance | 9,595 | 202 | 516 | 10,313 |
| Real estate taxes | 3,907 | 84 | 210 | 4,201 |
| Telephone | 11,453 | 246 | 616 | 12,315 |
| Utilities | 36,225 | 779 | 1,948 | 38,952 |
| Bank charges | 8,230 | 177 | 442 | 8,849 |
| Dues, subscriptions, and memberships | 2,496 | 336 | 291 | 3,123 |
| Meetings, training, and seminars | 5,966 | 5,237 | 5,346 | 16,549 |
| Payroll administration | 1,196 | 122 | 710 | 2,028 |
| Office supplies | 7,221 | 2,554 | 2,650 | 12,425 |
| Postage: | | | | |
| Postage/shipping | 652 | 640 | 640 | 1,932 |
| Direct mails | - | - | 79,902 | 79,902 |
| Professional fees | 65,837 | - | - | 65,837 |
| Consulting fees | 23,765 | 511 | 1,278 | 25,554 |
| Contract labor | 35,630 | - | - | 35,630 |
| Taxes and licenses | - | 868 | - | 868 |
| Volunteer and donor recognition | 1,607 | - | - | 1,607 |
| Printing and publishing | - | - | 1,066 | 1,066 |
| Donated goods and services | 157,965 | - | 11,890 | 169,855 |
| Miscellaneous | 23,045 | 2,319 | 679 | 26,043 |
| Total functional expenses before depreciation | 893,630 | 54,507 | 341,099 | 1,289,236 |
| Depreciation | 110,674 | 2,380 | 5,950 | 119,004 |
| Total functional expenses | $ 1,004,304 | 56,887 | 347,049 | 1,408,240 |

See accompanying notes to financial statements.

| | | 2017 | 2016 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ | (90,902) | (10,859) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | | |
| Depreciation | | 120,454 | 119,004 |
| Net gain on beneficial interests in investments held by the Dayton Foundation | | (174,825) | (99,973) |
| Change in unamortized discount of pledges due in more than one year | | 5,558 | - |
| Donated property and equipment | | (5,000) | (31,772) |
| Effects of change in operating assets and liabilities: | | | |
| Contributions receivable | | (85,904) | 156 |
| Accounts receivable | | 2,553 | (17,212) |
| Legal settlement receivable | | 75,000 | (75,000) |
| Prepaid expenses | | 15,462 | 92 |
| Accounts payable | | 39,988 | 50,254 |
| Accrued payroll and other | | 3,921 | 5,240 |
| Net cash used by operating activities | | (93,695) | (60,070) |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | | (39,117) | (94,336) |
| Withdrawals from beneficial interest in investments held by the Dayton Foundation | | 150,000 | 50,000 |
| Net cash provided (used) by investing activities | | 110,883 | (44,336) |
| Change in cash and cash equivalents | | 17,188 | (104,406) |
| Cash and cash equivalents, beginning of year | | 103,453 | 207,859 |
| Cash and cash equivalents, end of year | $ | 120,641 | 103,453 |
| Supplemental disclosure of cash flow information: | | | |
| Acquisition of property and equipment through in-kind donations | $ | 5,000 | 31,772 |

See accompanying notes to financial statements.

## 1. NATURE OF THE ORGANIZATION:

Ronald McDonald House Charities of the Miami Valley Region, Inc. (the "Organization") is a not-for-profit organization formed in 1978 to operate a Ronald McDonald House. The Organization provides residential living quarters for families of hospitalized children from the Greater Miami Valley area and operates Ronald McDonald House Family Rooms at Dayton Children's Hospital and Miami Valley Hospital. The Organization is supported primarily through donor contributions and grants.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements:

### Basis of presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will likely expire in the future, and permanently restricted net assets which have donor-imposed restrictions that do not expire.

### Revenue and support

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in restricted net assets depending on the nature of the restrictions.

### Donated assets, property and equipment, and services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted net assets to unrestricted net assets at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have donated time in support of the Organization and its programs. Since these services do not meet the requirements for recognition, the value thereof is not reflected in the accompanying financial statements.

### Cash and cash equivalents

Interest-bearing deposits and short-term investments with original maturities of three months or less are classified as cash equivalents. Periodically during the year, the Organization has cash deposits in banks in excess of federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with its cash on deposit with financial institutions.

### Accounts receivable

Accounts receivable represent uncollateralized obligations from various other organizations. Accounts receivable are stated at the amount billed. Payments of accounts receivable are allocated to the specific invoice identified on the Organization's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Management individually reviews all accounts receivable balances and estimates the portion, if any, of the balance that will not be collected based on current creditworthiness, past experience and recent economic conditions. Amounts considered uncollectible are written off when the facts are determined; therefore, no allowance for doubtful accounts is provided in the valuation of accounts receivable.

**Contributions receivable**
At December 31, 2017 and 2016, the Organization had contributions receivable totaling $156,370 and $68,919, respectively, which represent unconditional promises to contribute cash over specified time-periods. Contributions receivable were recorded net of a discount for present value of pledges due beyond one year of $5,558 at December 31, 2017. No pledges were due beyond one year at December 31, 2016.

Management reviews contributions receivable balances and estimates the portion, if any, of the balance that will not be collected based on information known about donors, past experience and recent economic conditions. Amounts considered uncollectible are written off when the facts are determined; therefore, no allowance for doubtful accounts is provided in the valuation of contributions receivable. The allowance for doubtful accounts is considered a significant estimate as it is subject to material change in the near future.

The Organization receives certain cash contributions through the utilization of canisters, which are placed at various McDonald restaurant locations throughout the area. The gross amount of donations received within these canisters totaled $222,532 and $239,805 for the years ended December 31, 2017 and 2016, respectively. The Organization is assessed a service fee for collection of these contributions. This fee totaled $36,235 and $35,840 for the years ended December 31, 2017 and 2016, respectively. The net amount of these contributions totaled $186,297 and $203,965 for the years ended December 31, 2017 and 2016, respectively and is reported as part of contribution revenue in the statements of activities.

**Property and equipment**
Property and equipment are stated at cost (fair value at the date of donation for donated assets) and are depreciated over the estimated useful lives of the respective assets using the straight-line method.

**Allocation of expenses**
The Organization allocates a portion of management, general and facilities expenses to program services based on various direct costs related to each program and an analysis of personnel time and space utilized for each program.

**Income taxes**
The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

**Advertisings costs**
Advertising costs are expensed as incurred.

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

**Reclassifications**
Certain items from 2016 have been reclassified to conform to current year presentation.

**Subsequent events**
The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through August 31, 2018, the date on which the financial statements were available to be issued.

## 3. CONTRIBUTIONS RECEIVABLE:
Contributions receivable at December 31, 2017 and 2016 were as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Due in less than one year | $ | 54,823 | 68,919 |
| Due in one to three years | | 100,000 | - |
| Less discount at 4% for present value of pledges due beyond one year | | (5,558) | - |
| | $ | 149,265 | 68,919 |

## 4. PROPERTY AND EQUIPMENT:
The following is a summary of property and equipment at December 31:

| | | 2017 | 2016 |
|---|---|---|---|
| Land and improvements | $ | 399,298 | 399,298 |
| Buildings and improvements | | 3,316,182 | 3,309,610 |
| Equipment | | 385,367 | 347,821 |
| | | 4,100,847 | 4,056,729 |
| Less: Accumulated depreciation | | 1,914,005 | 1,793,550 |
| | $ | 2,186,842 | 2,263,179 |

## 5. BENEFICIAL INTERESTS IN INVESTMENTS HELD BY THE DAYTON FOUNDATION:
The Organization had previously established charitable funds with the Dayton Foundation, a community foundation, for which the Organization is the named beneficiary. The beneficial interest in investments held totaling $1,357,611 and $1,332,786 at December 31, 2017 and 2016, respectively, represents amounts contributed by the Organization, plus any net subsequent earnings retained in these funds. The original amounts transferred to the Dayton Foundation to create these funds included permanent restrictions in the amount of $521,250. Net investment earnings of the funds are included in the statements of activities as net gain on beneficial interests in investments held by the Dayton Foundation.

## 6. COMMUNITY FOUNDATION FUNDS:

The Organization is the beneficial recipient of funds held at The Dayton Foundation. The balance of these funds allocable to the Organization was $415,576 and $392,947 as of December 31, 2017 and 2016, respectively. The contributions to these funds were made by donors other than the Organization. The Dayton Foundation has variance power over these funds by agreement with the donors. The Dayton Foundation distributes income annually to the Organization as a beneficiary of the funds. In accordance with generally accepted accounting principles, the Organization is prohibited from recording its beneficial interest in the principal amounts because the funds are held by the Dayton Foundation and subject to the variance power embedded in the Dayton Foundation's bylaws. Accordingly, the Organization excludes the portion of the funds allocable to the Organization as beneficial interests in endowment funds in its statements of financial position.

## 7. ENDOWMENT FUNDS:

The Organization's endowment consists of funds held by the Dayton Foundation to support the mission and vision of providing residential living quarters for families of hospitalized children from the Greater Miami Valley area and to operate Ronald McDonald House Family Rooms at Dayton Children's Hospital and Miami Valley Hospital. The Organization has adopted the investment policy of the Dayton Foundation related to these funds. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law**

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets.

**Return objectives and risk parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indexes while assuming a moderate level of investment risk. The Organization expects its endowment funds, over a moving five-year period, to exceed the Consumer Price Index by 4.0%. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Investment objectives have been established, under certain guidelines set by the Organization's Finance Committee, which is appointed by the Board of Trustees, in accordance with the Investment Policy Statement. The investment allocation percentages established are as follows:

| | Minimum % | Maximum % |
|---|---|---|
| Cash and cash equivalents | 0% | 10% |
| Equity securities | 40% | 80% |
| Fixed income | 10% | 40% |

**Spending policy and how the investment objectives relate to spending policy**
The Organization has a policy of appropriating for distribution the funds needed as determined by the Board of Trustees. In determining the appropriation amount the Board of Trustees considers both the long term expected return on its endowment as well as the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2017 was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted | $ - | 754,520 | 521,250 | 1,275,770 |
| Board-designated | 81,841 | - | - | 81,841 |
| | $ 81,841 | 754,520 | 521,250 | 1,357,611 |

Endowment net asset composition by type of fund as of December 31, 2016 was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted | $ - | 621,090 | 521,250 | 1,142,340 |
| Board-designated | 190,446 | - | - | 190,446 |
| | $ 190,446 | 621,090 | 521,250 | 1,332,786 |

The changes in endowment net assets for the years ended December 31, 2017 and 2016 were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, December 31, 2015 | $ 240,446 | 521,117 | 521,250 | 1,282,813 |
| Net gain on beneficial interest in investments held by the Dayton Foundation | - | 99,973 | - | 99,973 |
| Appropriation of assets for expenditure | (50,000) | - | - | (50,000) |
| Endowment net assets, December 31, 2016 | 190,446 | 621,090 | 521,250 | 1,332,786 |
| Net gain on beneficial interest in investments held by the Dayton Foundation | 41,395 | 133,430 | - | 174,825 |
| Appropriation of assets for expenditure | (150,000) | - | - | (150,000) |
| Endowment net assets, December 31, 2017 | $ 81,841 | 754,520 | 521,250 | 1,357,611 |

**8. FAIR VALUE MEASUREMENTS:**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Agency has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Beneficial interest in investments held by the Dayton Foundation*: The Organization maintains units of participation in a pooled investment account held at a local financial institution. The investment pool maintains an asset allocation that distributes the pool’s investments into a variety of classes including equity securities, fixed income securities, and mutual funds. The fair value as reported by the Dayton Foundation is based on the fair value of the individual securities within the pooled account as determined by the custodian using quoted market prices and other techniques.

The methods previously described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured at fair value at December 31, 2017 are as follows:

| | Fair Value Measurements at Reporting Date Using: | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Beneficial interests in investments held by the Dayton Foundation | $ 1,357,611 | - | - | 1,357,611 |

Fair values of assets measured at fair value at December 31, 2016 are as follows:

| | Fair Value Measurements at Reporting Date Using: | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Beneficial interests in investments held by the Dayton Foundation | $ 1,332,786 | - | - | 1,332,786 |

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

| | 2017 | 2016 |
|---|---|---|
| Balance, beginning of year | $ 1,332,786 | 1,282,813 |
| Net gain on beneficial interests in investments held by the Dayton Foundation | 174,825 | 99,973 |
| Withdrawals | (150,000) | (50,000) |
| Balance, end of year | $ 1,357,611 | 1,332,786 |

**9. RESTRICTED NET ASSETS:**

Restricted net assets consisted of the following at December 31:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Temporarily Restricted | Permanently Restricted | Temporarily Restricted | Permanently Restricted |
| Contributions receivable | $ 149,265 | - | - | - |
| Beneficial interests in investments held by the Dayton Foundation | 754,520 | 521,250 | 621,090 | 521,250 |
| | $ 903,785 | 521,250 | 621,090 | 521,250 |

Net assets were restricted for the following purposes at December 31:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Temporarily Restricted | Permanently Restricted | Temporarily Restricted | Permanently Restricted |
| Family rooms | $ 139,442 | - | - | - |
| Contributions | 9,823 | - | - | - |
| Endowment | 754,520 | 521,250 | 621,090 | 521,250 |
| | $ 903,785 | 521,250 | 621,090 | 521,250 |

**10. RETIREMENT PLAN:**
The Organization sponsors a Simple IRA for substantially all employees. The Organization matches 100% of employee contributions up to 3% of the employee's compensation. The contribution to the Plan for the years ended December 31, 2017 and 2016 was $12,001 and $8,395, respectively.

**11. TRANSACTIONS WITH NATIONAL ORGANIZATION:**
The Organization is affiliated with Ronald McDonald House Charities (RMHC Global), a separately registered nonprofit organization, which ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2017 and 2016, the Organization paid $46,747 and $55,410, respectively to RMHC Global.

**12. RECENT PRONOUNCEMENTS:**
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Organization's year ending December 31, 2018.

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Organization's year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the patter of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2020.

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in the ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard will be effective for the Organization's year ending December 31, 2019.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.