Ronald McDonald House Charities of Kansas City, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017

BKD LLP

CPAs & Advisors

Ronald McDonald House Charities of Kansas City, Inc.

December 31, 2018 and 2017

Contents

BKD
CPAs & Advisors

1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.com

Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities
of Kansas City, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of Ronald McDonald House Charities of Kansas City, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Kansas City, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 12 to the financial statements, in 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

BKD, LLP

Kansas City, Missouri
April 23, 2019

Ronald McDonald House Charities of Kansas City, Inc.

Statements of Financial Position

December 31, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	$ 598,008	$ 625,171
Restricted cash	1,333,122	1,317,462
Accounts receivables, net of allowance; 2018 – $40,261 2017 – $5,251	55,737	74,228
Contributions receivable, net	515,740	363,098
Other	95,110	95,512
Total current assets	2,597,717	2,475,471
Non-Current Assets		
Contributions receivable, net	287,494	-
Beneficial interest in assets held by other	237,858	241,577
Investments	4,084,056	3,492,454
Property and equipment, net	16,030,418	16,014,218
Other	30,745	22,402
Total non-current assets	20,670,571	19,770,651
Total assets	$ 23,268,288	$ 22,246,122

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Accounts payable	$ 172,090	$ 153,559
Accrued liabilities	181,560	171,804
Deferred revenue	10,750	27,529
Lines of credit	300,000	273,359
Total current liabilities	664,400	626,251
Net Assets		
Without donor restrictions	18,873,371	18,136,414
With donor restrictions	3,730,517	3,483,457
Total net assets	22,603,888	21,619,871
Total liabilities and net assets	$ 23,268,288	$ 22,246,122

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	$ 2,123,704	$ 710,508	$ 2,834,212
Contributions – Project GROW	106,900	588,780	695,680
Contributions – McDonald's related fundraisers	373,078	26,883	399,961
Total contributions	2,603,682	1,326,171	3,929,853
Organization-sponsored fundraising events	700,443	300,865	1,001,308
External fundraising events	296,312	395,296	691,608
Medicaid revenue	400,872	-	400,872
Other	8,482	-	8,482
Net assets released from restrictions	1,565,580	(1,565,580)	-
Total revenues, gains and other support	5,575,371	456,752	6,032,123
Expenses and Losses			
Program services	3,507,272	-	3,507,272
Cost of direct benefits to donors	206,878	2,550	209,428
Support services			
Management and general	425,289	-	425,289
Fundraising	648,007	10,166	658,173
Unallocated payments to RMHC Global	5,403	-	5,403
Total expenses and losses	4,792,849	12,716	4,805,565
Change in Net Assets from Operations	782,522	444,036	1,226,558
Net Investment Loss	(45,565)	(196,976)	(242,541)
Change in Net Assets	736,957	247,060	984,017
Net Assets, Beginning of Year	18,136,414	3,483,457	21,619,871
Net Assets, End of Year	$ 18,873,371	$ 3,730,517	$ 22,603,888

Ronald McDonald House Charities
of Kansas City, Inc.
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	$ 1,774,857	$ 107,070	$ 1,881,927
Contributions – Project GROW	9,866	1,220,000	1,229,866
Contributions – McDonald's related fundraisers	658,814	35,018	693,832
Total contributions	2,443,537	1,362,088	3,805,625
Organization-sponsored fundraising events	704,190	426,052	1,130,242
External fundraising events	234,665	341,976	576,641
Medicaid revenue	484,191	-	484,191
Other	19,572	-	19,572
Net assets released from restrictions	843,679	(843,679)	-
Total revenues, gains and other support	4,729,834	1,286,437	6,016,271
Expenses and Losses			
Program services	3,442,827	-	3,442,827
Cost of direct benefits to donors	255,802	1,500	257,302
Support services			
Management and general	422,078	-	422,078
Fundraising	610,978	21,541	632,519
Unallocated payments to RMHC Global	69,527	-	69,527
Total expenses and losses	4,801,212	23,041	4,824,253
Change in Net Assets from Operations	(71,378)	1,263,396	1,192,018
Net Investment Income	166,815	221,764	388,579
Change in Net Assets	95,437	1,485,160	1,580,597
Net Assets, Beginning of Year	18,040,977	1,998,297	20,039,274
Net Assets, End of Year	$ 18,136,414	$ 3,483,457	$ 21,619,871

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services								
	Ronald McDonald Houses	Family Room	Camp ChiMer	Project GROW	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donor	Total Expenses
Salaries	$ 1,092,877	$ 196,070	$ 8,748	$ -	$ 1,297,695	$ 200,866	$ 261,883	$ -	$ 1,760,444
Employee benefits	186,703	27,690	1,214	-	215,607	31,490	43,229	-	290,326
Payroll taxes	84,948	14,948	629	-	100,525	13,594	19,340	-	133,459
Total	1,364,528	238,708	10,591	-	1,613,827	245,950	324,452	-	2,184,229
Advertising	-	-	-	-	-	-	10,565	-	10,565
Automobile	988	-	-	-	988	-	-	-	988
Cleaning services and supplies	96,981	-	-	-	96,981	-	-	-	96,981
Depreciation	708,533	13,830	137	-	722,500	3,468	6,377	-	732,345
Direct mail	-	-	-	-	-	-	175,113	-	175,113
Donation box program expenses	-	-	-	-	-	4,722	-	-	4,722
Donor recognition	-	-	-	-	-	268	9,446	-	9,714
Family support services and supplies	240,920	5,449	44,924	-	291,293	540	-	-	291,833
Insurance	79,956	6,636	-	-	86,592	12,643	8,332	-	107,567
Linens and laundry	42,115	-	-	-	42,115	-	-	-	42,115
Maintenance and repairs	273,037	4,067	-	2,694	279,798	428	264	-	280,490
Meetings, education and training	10,696	2,266	-	-	12,962	20,957	7,530	-	41,449
Office supplies	9,197	47	53	-	9,297	3,614	1,831	-	14,742
Postage and courier	707	3	178	-	888	2,251	8,023	-	11,162
Printing and publishing	1,164	-	-	380	1,544	162	33,141	-	34,847
Professional fees	49,779	-	-	-	49,779	65,427	-	-	115,206
Rent	-	-	-	-	-	-	-	84,972	84,972
Technology	36,162	4,976	-	-	41,138	15,578	25,554	-	82,270
Telephone	49,148	-	-	-	49,148	75	-	-	49,223
Travel, meals and entertainment	1,710	-	97	-	1,807	272	1,871	106,872	110,822
Utilities	181,986	-	-	-	181,986	310	-	-	182,296
Volunteer resources and recognition	3,558	1,032	-	-	4,590	-	719	-	5,309
Other	18,024	84	1,401	530	20,039	48,624	44,955	17,584	131,202
	$ 3,169,189	$ 277,098	$ 57,381	$ 3,604	$ 3,507,272	$ 425,289	$ 658,173	$ 209,428	4,800,162
Unallocated payments to RMHC Global									5,403
Total Expenses									$ 4,805,565

See Notes to Financial Statements

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services								
	Ronald McDonald Houses	Family Room	Camp ChiMer	Project GROW	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donor	Total Expenses
Salaries	$ 988,455	$ 174,834	$ 13,043	$ -	$ 1,176,332	$ 165,640	$ 243,241	$ -	$ 1,585,213
Employee benefits	144,603	20,122	1,113	-	165,838	22,377	32,933	-	221,148
Payroll taxes	76,844	13,511	959	-	91,314	12,540	18,590	-	122,444
Total	1,209,902	208,467	15,115	-	1,433,484	200,557	294,764	-	1,928,805
Advertising	-	-	-	-	-	-	3,697	-	3,697
Automobile	393	-	-	-	393	-	-	-	393
Cleaning services and supplies	101,298	-	-	-	101,298	-	-	-	101,298
Depreciation	730,615	19,757	-	-	750,372	2,534	6,201	-	759,107
Direct mail	-	-	-	-	-	-	194,352	-	194,352
Donation box program expenses	-	-	-	-	-	53,039	-	-	53,039
Donor recognition	110	-	-	-	110	-	3,300	-	3,410
Family support services and supplies	387,054	2,728	51,098	-	440,880	-	-	-	440,880
Insurance	78,602	5,758	-	-	84,360	12,657	8,312	-	105,329
Interest	3,475	-	-	-	3,475	1,133	-	-	4,608
Linens and laundry	43,978	-	-	-	43,978	-	-	-	43,978
Maintenance and repairs	243,887	2,906	50	53	246,896	914	278	-	248,088
Meetings, education and training	10,182	1,269	-	-	11,451	8,801	4,159	-	24,411
Office supplies	8,699	91	71	-	8,861	4,722	2,498	-	16,081
Postage and courier	617	-	346	27	990	1,920	6,284	-	9,194
Printing and publishing	10,156	2,624	187	114	13,081	934	29,013	-	43,028
Professional fees	41,661	-	-	-	41,661	67,133	-	-	108,794
Rent	-	-	-	-	-	-	-	100,400	100,400
Technology	19,103	3,755	-	-	22,858	10,062	17,956	-	50,876
Telephone	54,137	-	-	-	54,137	-	-	-	54,137
Travel, meals and entertainment	1,266	-	150	-	1,416	-	2,124	122,742	126,282
Utilities	169,962	-	-	-	169,962	-	-	-	169,962
Volunteer resources and recognition	3,119	868	-	-	3,987	8	1,689	-	5,684
Other	7,138	353	1,323	363	9,177	57,664	57,892	34,160	158,893
	$ 3,125,354	$ 248,576	$ 68,340	$ 557	$ 3,442,827	$ 422,078	$ 632,519	$ 257,302	4,754,726
Unallocated payments to RMHC Global									69,527
Total Expenses									$ 4,824,253

See Notes to Financial Statements

Ronald McDonald House Charities
of Kansas City, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ 984,017	$ 1,580,597
Items not requiring (providing) operating activities cash flows		
Depreciation	732,345	759,107
Loss on disposal of equipment	13,364	1,707
Net realized and unrealized (gains) losses on investments	440,919	(345,259)
Contributions of property and equipment or contributions received restricted for acquisition of property and equipment	(857,017)	(1,242,240)
Changes in		
Contributions receivable	(415,136)	26,842
Beneficial interest in assets held by other	3,719	5,816
Miscellaneous receivables and other assets	10,550	(60,757)
Accounts payable and accrued liabilities	18,153	219,455
Deferred revenue	(16,779)	17,529
Net cash provided by operating activities	914,135	962,797
Investing Activities		
Purchase of property and equipment	(629,758)	(716,584)
Purchase of investments	(1,035,593)	(51,216)
Proceeds from disposition of investments	3,072	-
Net cash used in investing activities	(1,662,279)	(767,800)
Financing Activities		
Proceeds from contributions restricted for acquisition of property and equipment	710,000	1,220,000
Net borrowings on lines of credit	26,641	70,693
Net cash provided by financing activities	736,641	1,290,693
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(11,503)	1,485,690
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,942,633	456,943
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 1,931,130	$ 1,942,633
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	$ 598,008	$ 625,171
Restricted cash	1,333,122	1,317,462
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 1,931,130	$ 1,942,633
Supplemental Cash Flows Information		
Property and equipment acquired through noncash contributions	$ 118,237	$ 22,240
Property and equipment purchases in accounts payable	23,736	13,602

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Organization

Ronald McDonald House Charities of Kansas City, Inc. (the "Organization") is a Missouri not-for-profit organization formed in 1979 that operates three Kansas City Ronald McDonald Houses and a Family Room, which provides temporary housing for the families of seriously ill children while the children are receiving treatment at local hospitals. The mission of Ronald McDonald House Charities – Kansas City is to reduce the burden of childhood illness on children and their families.

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

Ronald McDonald House

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

Ronald McDonald Family Room

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

The Organization's revenues and other support are derived principally from contributions and Organization-sponsored fundraising events.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Cash, Cash Equivalents and Restricted Cash

The Organization 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 accounts.

Amounts included in restricted cash are donor contributions received and restricted for a particular purpose.

At December 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately $41,000.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Contributions Receivable

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Organization estimates an allowance for uncollectible contributions receivable, which is based upon a review of outstanding pledges, historical collection information and existing economic conditions.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

Beneficial Interest in Assets held by Other

The Organization is a beneficiary of a $250,000 contribution made to and held by an unrelated not-for-profit organization. The funds are restricted to support Ronald McDonald Family Room and may be utilized at any time. The unspent contribution was $237,858 and $241,577 at December 31, 2018 and 2017, respectively.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	10 - 15 years
Building under capital lease	50 years
Vans and autos	5 years
Furniture, fixtures and equipment	5 years
Donation box equipment	5 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets with donor restrictions and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported at the estimated fair value at the date of donation as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed into service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

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

Approximately 10 percent of all revenue from contributions, special events and external fundraising events were received from one donor as a one-time gift in 2018. Approximately 19 percent of all revenue from contributions, special events and external fundraising events were received from one donor as a one-time gift related to Project GROW in 2017.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions in the form of goods and services from various donors. Such contributions 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. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as revenue in the financial statements, and similarly increase an expense or capitalized asset by a like amount. In-kind contributions recognized during 2018 and 2017 were approximately $465,000 and $633,000, respectively, which includes contributed services of approximately $34,000 and $103,000, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. Contributed goods and services not subject to objective measurement or valuation are not reflected in the financial statements.

Deferred Revenue

Revenue received for future events is deferred and recognized over the periods to which the sponsorships relate.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization is not aware of any uncertain tax positions at December 31, 2018 and 2017. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

Reclassifications

During 2018, the Organization's statement of financial position was converted to a classified presentation and restricted cash was broken out from cash and cash equivalents. In addition, line items within the statement of functional expenses were restructured to enhance the presentation and provide more meaningful information to the users of the financial statements. Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through April 23, 2019, which is the date the financial statements were available to be issued.

Note 2: Contributions Receivable

Contributions receivable at December 31 consisted of the following unconditional promises to give discounted at a rate of 5 percent:

	2018	2017
Due within one year	$ 516,040	$ 376,756
Due in one to five years	375,000	-
	891,040	376,756
Less		
Allowance for uncollectible contributions	(300)	(4,075)
Unamortized discount	(87,506)	(9,583)
	$ 803,234	$ 363,098

Approximately 89 percent of contributions receivable was due from two donors as of December 31, 2018. Approximately 91 percent of contributions receivable was due from one donor as of December 31, 2017.

Note 3: Fair Value Measurements and Disclosures

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

			Fair Value Measurements Using		
	Total	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018					
Money market funds	$ 712,406	$ 712,406	$ 712,406	$ -	$ -
Bond mutual funds	999,661	999,661	999,661	-	-
Equity mutual funds	2,346,989	2,346,989	2,346,989	-	-
Total at fair value	4,059,056	4,059,056	4,059,056	-	-
Certificate of deposit	25,000	-	-	-	-
Total investments	$ 4,084,056	$ 4,059,056	$ 4,059,056	$ -	$ -
December 31, 2017					
Money market funds	$ 686,226	$ 686,226	$ 686,226	$ -	$ -
Bond mutual funds	738,709	738,709	738,709	-	-
Equity mutual funds	2,042,519	2,042,519	2,042,519	-	-
Total at fair value	3,467,454	3,467,454	3,467,454	-	-
Certificate of deposit	25,000	-	-	-	-
Total investments	$ 3,492,454	$ 3,467,454	$ 3,467,454	$ -	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 4: Property and Equipment

Property and equipment at December 31 consisted of the following:

	2018	2017
Land and parking lot	$ 158,845	$ 158,845
Buildings and improvements	8,618,696	8,446,668
Buildings and improvements under capital lease	12,374,326	12,159,753
Vans and autos	20,919	20,919
Furniture and equipment	1,653,459	1,536,972
Donation box equipment	26,421	26,421
Family Room	406,897	405,485
Construction in progress	1,031,175	823,234
	24,290,738	23,578,297
Less accumulated depreciation	(8,260,320)	(7,564,079)
	$ 16,030,418	$ 16,014,218

Note 5: Lines of Credit

During 2018 and 2017, the Organization has a $750,000 revolving bank line of credit due on demand. At December 31, 2018 and 2017, there was $300,000 and $273,359, respectively, borrowed against this line. Interest on the revolving line of credit is payable monthly at the bank prime rate (5.50 percent and 4.5 percent at December 31, 2018 and 2017, respectively).

The Organization has a $1,750,000 revolving bank line of credit that is reduced by $175,000 annually for the construction of the new 20 bedroom Ronald McDonald House. As of December 31, 2017, the maximum line of credit was $1,225,000, with $0 outstanding and interest payable monthly at an annual interest rate of 4 percent. The line expired in September 2018.

Note 6: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purpose or periods:

	2018	2017
Subject to expenditure for specified purpose		
Project GROW	$ 1,282,169	$ 1,203,823
Other projects	43,248	109,987
Beneficial interests in assets held by another for Family Room	233,870	241,577
Promises to give, the proceeds from which have been restricted by donors for Project GROW	25,000	-
	1,584,287	1,555,387
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	778,234	363,098
Endowments		
Endowment, subject to spending policy and appropriation General use	1,367,996	1,564,972
Total endowments	1,367,996	1,564,972
Total net assets with donor restrictions	$ 3,730,517	$ 3,483,457

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2018	2017
Expiration of time restrictions	$ 751,859	$ 722,999
Satisfaction or purpose restrictions		
Project GROW	510,443	16,169
Capital projects	161,688	3,982
Camp ChiMer	36,238	25,526
Other projects	105,352	75,003
	$ 1,565,580	$ 843,679

Note 7: Endowment

The Organization's endowment consists of one donor-restricted fund established in the amount of $1,000,000, to be held in perpetuity in order to provide supplemental income for the operating expenses at the Ronald McDonald House. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body is subject to the State of Missouri *Uniform Prudent Management of Institutional Funds Act* as adopted by the state of Missouri (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The governing body of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions

4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of endowment net assets at December 31, 2018 and 2017 was:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018			
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	$ -	$ 1,000,000	$ 1,000,000
Accumulated investment	358,926	367,996	726,922
Total endowment funds	$ 358,926	$ 1,367,996	$ 1,726,922
December 31, 2017			
Donor-restricted endowment funds			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	$ -	$ 1,000,000	$ 1,000,000
Accumulated investment	272,403	564,972	837,375
Total endowment funds	$ 272,403	$ 1,564,972	$ 1,837,375

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	$ 249,008	$ 1,343,208	$ 1,592,216
Net investment return	23,395	221,764	245,159
Endowment net assets, December 31, 2017	272,403	1,564,972	1,837,375
Net investment return (loss)	86,523	(196,976)	(110,453)
Endowment net assets, December 31, 2018	$ 358,926	$ 1,367,996	$ 1,726,922

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions, which the Organization did not have at December 31, 2018 and 2017.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include assets of donor-restricted endowment funds the Organization must hold in perpetuity.

Under the Organization's policies, the primary investment goal is long-term asset growth with the generation of investment income a secondary goal. The Organization's investment policy details other guidelines for investment assets. The Organization expects its endowment funds to provide returns over a rolling three-year period, which will be reasonably consistent with those from a comparably positioned "unmanaged" fund consisting of equity, fixed income and cash indices, as applicable. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

The Organization follows the donor's stipulation in regard to this endowment, which requires the original gift to be held in perpetuity and the income earned to be used for operating expenses. The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 5 percent of the endowment fund's average fair value over the prior three years and up to an amount equal to the excess of the Organization's budgeted expenses over budgeted income as approved by the Board, as long as the fair value of the fund is not less than the original gift.

Note 8: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Cash and cash equivalents	$ 598,008
Accounts receivables	55,737
Contributions receivable	491,040
Appropriations from investments	107,839
	$ 1,252,624

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $1,100,000.

In addition, the Organization maintains an investment portfolio that allows for annual spending of up to 5 percent of the 3-year average balance as of December 31 of the three preceding years of the Spendable Investments (Operating Reserve, Long-Term Portfolio and any spendable portion of the Endowment Portfolio). Up to $107,839 of appropriations from the investment portfolio will be available within the next 12 months.

As more fully described in Note 5, the Organization also has committed lines of credit in the amount of $750,000, which it could draw upon in the event of an unanticipated liquidity need.

Note 9: Long-term Leases

The Bernstein facility has been constructed on land subject to a lease through the year 2085 for an annual payment of $10.

The Longfellow facility was constructed on land that was donated by a local company and by the City of Kansas City, Missouri. Upon completion of the project, the Organization transferred the property to Kansas City, Missouri in accordance with the restrictions set forth by Kansas City, Missouri. The Organization then contracted to lease the property from the City at $1 per year for a term of 20 years with three 10-year renewal options. The lease qualifies for capital lease accounting treatment. Leasehold improvements are being amortized over the shorter of the lease term or their estimated useful lives.

Property and equipment includes the following property under the capital lease at December 31, 2018 and 2017:

	2018	2017
Land	$ 1,613,691	$ 1,613,691
Building and improvements	10,760,635	10,546,062
	12,374,326	12,159,753
Less accumulated depreciation	3,183,956	2,907,969
	$ 9,190,370	$ 9,251,784

Note 10: Retirement Plan

The Organization has a defined contribution pension plan covering substantially all employees. Regularly scheduled employees are eligible to participate in the plan after reaching age 21 and completing six months of eligible service. For both 2018 and 2017, the Organization contributed the 5 percent required of eligible compensation and also matched 50 percent of the employees' contributions up to 4 percent of eligible compensation. The Organization's retirement expense amounted to $113,221 and $85,957 for the years ended 2018 and 2017, respectively.

Note 11: Related Party

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75 percent of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the License Agreement. During the years ended December 31, 2018 and 2017, the Organization received $253,945 and $474,178, respectively, from these revenue streams.

Note 12: Change in Accounting Principle

In 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 985): Presentation of Financial Statements of Not-for-Profit Entities.* The ASU is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about an entity's liquidity and financial performance. The main provisions of the standard include: presentation of two classes of net assets versus the previously required three; enhanced disclosures for composition of net assets without donor restrictions, liquidity and availability of financial assets and expenses by both natural and functional classification. The Organization also chose to present a classified statement of financial position. These changes had no impact on previously reported total change in net assets. A summary of the beginning balance net asset reclassifications for the year ended December 31, 2017 are as follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year, as previously reported			
Unrestricted	$ 18,040,977	$ -	$ 18,040,977
Temporarily restricted	-	998,297	998,297
Permanently restricted	-	1,000,000	1,000,000
Net assets, beginning of year, as reclassified	$ 18,040,977	$ 1,998,297	$ 20,039,274

In 2018, the Organization changed its method of accounting for restricted cash and restricted cash equivalents to include cash contributed by donors to be used for a particular purpose as restricted cash by adopting the provision of Accounting Standards Update No. 2016-18 (ASU 2016-18), *Statement of Cash Flows (Topic 230): Restricted Cash.* The new accounting guidance in ASU 2016-18 requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end of the period balances on the statement of cash flows. This change was applied retrospectively to all periods presented which resulted in the inclusion of restricted cash in the cash balances within the statements of cash flows. This change had no impact on previously reported total change in net assets.

Note 13: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.