Ronald McDonald House Charities of the Intermountain Area, Inc.

Financial Statements

And

Independent Auditor's Report

Years Ended December 31, 2017 and 2016

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shaw & co.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of the Intermountain Area, Inc.
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House Charities of the Intermountain Area, Inc. (a nonprofit 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.

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 of 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 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 Intermountain Area, 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.

Shaw & Co., P.C.

Bountiful, Utah
May 4, 2018

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Ronald McDonald House Charities of Intermountain Area, Inc.

Statements of Financial Position
December 31, 2017 and 2016

	12/31/2017	12/31/2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 700,740	$ 940,324
Prepaid expenses	13,152	41,727
Current portion of accounts and contributions receivable	144,171	28,038
Investments	4,256,174	4,318,163
Total current assets	5,114,237	5,328,252
Property and equipment, at cost	14,299,660	13,174,203
Less: accumulated depreciation	(3,360,916)	(2,982,371)
Net property and equipment	10,938,744	10,191,832
Construction in progress	-	40,650
Accounts and contributions receivable, net of current portion	25,102	8,215
Note receivable	276,235	262,790
Investments, donor restricted	500,000	500,000
Total assets	$ 16,854,318	$ 16,331,739
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 34,675	$ 80,486
Accrued liabilities	75,143	44,796
Total current liabilities	109,818	125,282
Net assets		
Unrestricted		
Undesignated	11,570,798	10,973,000
Board designated	3,500,615	3,942,427
Temporarily restricted	1,173,087	791,030
Permanently restricted	500,000	500,000
Total net assets	16,744,500	16,206,457
Total liabilities and net assets	$ 16,854,318	$ 16,331,739

See accompanying notes to financial statements.

Ronald McDonald House Charities of Intermountain Area, Inc.

Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Public support				
Individual contributions	$ 1,015,169	$ 63,979	$ -	$ 1,079,148
In-kind contributions	656,928	-	-	656,928
Foundation contributions	533,003	41,500	-	574,503
Corporate contributions	177,502	112,444	-	289,946
Capital campaign contributions	-	271,485	-	271,485
Special events	949,144	-	-	949,144
Less: cost of direct benefit to donors	(194,621)	-	-	(194,621)
Net revenue from special events	754,523	-	-	754,523
Net assets released from restrictions	257,674	(257,674)	-	-
Total public support	3,394,799	231,734	-	3,626,533
Other revenues				
Room fees	199,126	-	-	199,126
Other income	9,161	-	-	9,161
Loss on disposal of property	(56,599)	-	-	(56,599)
Total other revenues	151,688	-	-	151,688
Total public support and other revenues	3,546,487	231,734	-	3,778,221
EXPENSES				
Program services	2,946,294	-	-	2,946,294
Support services				
Management and general	368,540	-	-	368,540
Fundraising	474,657	-	-	474,657
Payments to RMHC Global	23,232	-	-	23,232
Total expenses	3,812,723	-	-	3,812,723
Change in net assets from operations	(266,236)	231,734	-	(34,502)
Investment income, net	422,221	150,323	-	572,544
Change in net assets	155,985	382,057	-	538,042
Net assets, beginning of year	14,915,428	791,030	500,000	16,206,458
Net assets, end of year	$ 15,071,413	$ 1,173,087	$ 500,000	$ 16,744,500

See accompanying notes to financial statements.

Ronald McDonald House Charities of Intermountain Area, Inc.

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Public support				
Individual contributions	$ 750,488	$ -	$ -	$ 750,488
In-kind contributions	438,036	-	-	438,036
Foundation contributions	229,861	192,720	-	422,581
Corporate contributions	209,666	-	-	209,666
Capital campaign contributions	-	80,127	-	80,127
Special events	1,051,920	-	-	1,051,920
Less: cost of direct benefit to donors	(181,274)	-	-	(181,274)
Net revenue from special events	870,646	-	-	870,646
Net assets released from restrictions	227,293	(227,293)	-	-
Total public support	2,725,990	45,554	-	2,771,544
Other revenues				
Room fees	179,802	-	-	179,802
Other income	8,411	-	-	8,411
Loss on disposal of property	(130,854)	-	-	(130,854)
Total other revenues	57,359	-	-	57,359
Total public support and other revenues	2,783,349	45,554	-	2,828,903
EXPENSES				
Program services	2,332,081	-	-	2,332,081
Support services				
Management and general	396,464	-	-	396,464
Fundraising	413,833	-	-	413,833
Payments to RMHC Global	28,417	-	-	28,417
Total expenses	3,170,795	-	-	3,170,795
Change in net assets from operations	(387,446)	45,554	-	(341,892)
Investment income, net	156,425	48,851	-	205,276
Change in net assets	(231,021)	94,405	-	(136,616)
Net assets, beginning of year	15,146,448	696,625	500,000	16,343,073
Net assets, end of year	$ 14,915,427	$ 791,030	$ 500,000	$ 16,206,457

See accompanying notes to financial statements.

Ronald McDonald House Charities of Intermountain Area, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,208,602	$ 168,410	$ 203,094	$ 1,580,106
Payroll taxes	80,857	15,414	19,130	115,401
Medical insurance	83,264	6,456	21,700	111,420
Fringe benefits	20,090	52,268	13,178	85,536
Total salaries, payroll taxes and benefits	1,392,813	242,548	257,102	1,892,463
House supplies	468,136	-	-	468,136
Professional fees	207,651	49,312	13,472	270,435
Office	93,255	973	35,759	129,987
Food and facilities	-	-	108,029	108,029
Rent	89,143	-	-	89,143
Maintenance and repairs	76,844	973	-	77,817
Utilities	72,460	562	962	73,984
Insurance	28,102	20,365	-	48,467
Printing and postage	8,426	9,444	24,632	42,502
Communications	32,137	4,168	395	36,700
Bank fees	-	30,906	-	30,906
Public relations	15,414	295	10,866	26,575
Conferences and education	9,184	2,110	2,572	13,866
Travel	11,462	958	1,041	13,461
Bad debt	-	-	13,030	13,030
Miscellaneous	6,314	-	-	6,314
Dues and subscriptions	2,467	2,570	1,056	6,093
Total expenses before depreciation and amortization	2,513,808	365,184	468,916	3,347,908
Depreciation and amortization	432,486	3,356	5,741	441,583
	$ 2,946,294	$ 368,540	$ 474,657	3,789,491
Payments to RMHC Global				23,232
Total expenses				$ 3,812,723

See accompanying notes to financial statements.

Ronald McDonald House Charities of Intermountain Area, Inc.

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,010,559	$ 156,571	$ 162,256	$ 1,329,386
Payroll taxes	69,593	14,878	15,574	100,045
Medical insurance	69,163	1,882	12,340	83,385
Fringe benefits	25,437	46,468	7,133	79,038
Total salaries, payroll taxes and benefits	1,174,752	219,799	197,303	1,591,854
House supplies	334,703	-	-	334,703
Professional fees	7,243	87,476	31,159	125,878
Food and facilities	3,840	-	101,767	105,607
Rent	94,849	-	-	94,849
Maintenance and repairs	91,774	941	-	92,715
Utilities	82,748	2,613	1,742	87,103
Office supplies	39,964	1,337	18,274	59,575
Insurance	28,384	17,412	-	45,796
Printing and postage	6,381	6,966	27,252	40,599
Communications	37,723	1,071	714	39,508
Bank fees	-	30,338	-	30,338
Public relations	3,999	352	17,576	21,927
Travel	7,508	4,522	668	12,698
Conferences and education	1,837	3,277	3,363	8,477
Dues and subscriptions	1,634	3,558	224	5,416
Bad Debt	-	-	5,150	5,150
Miscellaneous	85	3,840	-	3,925
Contract labor	3,558	-	-	3,558
Total expenses before depreciation and amortization	1,920,982	383,502	405,192	2,709,676
Depreciation and amortization	411,099	12,962	8,641	432,702
	$ 2,332,081	$ 396,464	$ 413,833	3,142,378
Payments to RMHC Global				28,417
Total expenses				$ 3,170,795

See accompanying notes to financial statements.

Ronald McDonald House Charities of Intermountain Area, Inc.

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	12/31/2017	12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 538,042	$ (136,616)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	441,583	432,702
Accrued interest on note receivable	(13,445)	(12,789)
Net realized and unrealized (gains) losses on investments	(516,271)	(157,015)
Loss on disposal of property and equipment	56,599	130,854
In-kind contributions of property and equipment	(3,000)	-
In-kind contributions of investments	(8,137)	(44,232)
Changes in current assets and liabilities:		
Prepaid expenses	28,575	(31,222)
Contributions receivable, net	(133,020)	88,743
Accounts payable	(45,811)	24,941
Accrued liabilities	30,347	14,041
Net cash provided by operating activities	375,462	309,407
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and construction in progress	(1,201,443)	(147,253)
Proceeds from sale of investments	1,429,108	4,058,565
Purchases of investments	(842,711)	(5,662,080)
Net cash used in investing activities	(615,046)	(1,750,768)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net decrease in cash and cash equivalents	(239,584)	(1,441,361)
Cash and cash equivalents, beginning of year	940,324	2,381,685
Cash and cash equivalents, end of year	$ 700,740	$ 940,324
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

See accompanying notes to financial statements.

1. ORGANIZATION BASIS OF PRESENTATION

Ronald McDonald House Charities of the Intermountain Area, Inc. (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on May 20, 1985. The mission of the Organization is to create, find and support programs that directly improve the health and well-being of children. The Organization ascribes to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency. The Organization fulfills its 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 Organization operates the following programs:

The Organization fulfills its 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 Organization operates the following programs:

<u>Ronald McDonald House</u>

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 program located in Salt Lake City, Utah, which provides 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.

<u>Ronald McDonald Family Rooms</u>

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 programs located in Primary Children's Hospital serve as a place of respite, relaxation and privacy for family members, 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.

<u>Hospitality Carts</u>

The Hospitality Cart program offers comfort items for pediatric patient families within Ogden Regional Medical Center and Shriner's Hospital for Children. The mobile carts are stocked with needed comfort items for child patients, their siblings and caregivers, including healthy snacks, hygiene items, family games, notebooks and other comfort and respite items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including board designated or appropriated amounts, are unrestricted and are reported as part of the unrestricted class.

Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At December 31, 2017 and 2016, the Organization had bank deposits of $305,131 and $516,800, respectively, which exceeded the FDIC insurance limit of $250,000 per financial institution, and therefore were not insured. The Organization also holds cash and securities at investment firms. The investments held at those firms are insured through the Securities Investor Protection Corporation (SIPC) up to $500,000 per institution. At December 31, 2017 and 2016, the Organization had securities in the amount of $4,256,175 and $4,318,163, respectively, which exceeded the insurance limit. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash and securities.

At December 31, 2017, contributions receivable due from Donor A represented approximately 43% of total accounts and contributions receivable.

Contributions Receivable

Contributions receivable are unconditional promises to give. 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 more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Organization estimates the allowance based on analysis of specific donors, taking into consideration the age of past due contributions receivable and an assessment of the donor's ability to pay. At December 31, 2017 and 2016, management of the Organization considers all contributions receivable to be collectible; therefore, no allowance has been recorded.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities as part of investment income, net.

Property and Equipment

Property and equipment are stated at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed $5,000, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 – 39 years
Furniture and equipment	3 – 10 years
Vehicles	10 years

Depreciation expense for the years ended December 31, 2017 and 2016 was $441,583 and $432,702, respectively.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

In-Kind Contributions

In-kind contributions are recorded at their fair values at the date of donation. Such in-kind contributions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Volunteers and advisors have donated substantial time in assisting the Organization in achieving the goals of its programs. In accordance with FASB ASC 958-605-25-16, *Contributed Services*, the Organization recognizes contributions of services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provide by donation. During the years ended December 31, 2017 and 2016, the Organization recorded $195,285 and $88,808, respectively, of donated services that meet the criteria above. The Organization also receives donated services from volunteers that do not meet the criteria above and are excluded from the financial statements.

Classes of Net Assets

The Organization’s net assets and changes therein are classified and reported as follows:

a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.

b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.

c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Contributions

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. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Capital campaign contributions are considered temporarily restricted until costs meeting donor restrictions are incurred.

Functional Allocation of Expenses

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

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2017, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization’s primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization’s tax filings and does not believe that any material uncertain tax positions exist.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2016 to conform to the presentation for the year ended December 31, 2017.

3. BOARD-DESIGNATED AND DONOR-RESTRICTED CASH AND INVESTMENTS

The Organization maintains cash and cash equivalents and investments that have been board-designated or donor-restricted for specified purposes. Board-designated funds include the following:

Maintenance fund: Designated for future maintenance of the Organization's facilities
Legacy endowment: Designated as described in Note 8
Capital projects: Designated for remodeling and expansion of the Organization's facilities

Donor-restricted funds include the following:

Kroc endowment: Restricted as described in Note 8
Capital campaign: Restricted for remodeling and expansion of the Organization's facilities

Board-designated and donor-restricted cash and cash equivalents and investments consisted of the following at December 31, 2017:

	Cash and cash Equivalents	Investments
Board-designated		
Maintenance fund	$ 136,693	$ 814,013
Legacy endowment	58,336	2,491,573
Capital projects	56,253	1,994
	$ 251,282	$ 3,307,580
Donor-restricted		
Kroc endowment	$ 17,516	$ 1,248,093
Capital campaign	4,694	200,500
	$ 22,210	$ 1,448,593

Board-designated and donor-restricted cash and cash equivalents and investments consisted of the following at December 31, 2016:

	Cash and cash Equivalents	Investments
Board-designated		
Maintenance fund	$ 154,040	$ 768,854
Legacy endowment	75,239	2,944,294
	$ 229,279	$ 3,713,148
Donor-restricted		
Kroc endowment	$ 49,762	$ 1,105,015

4. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contributions receivable consist primarily of pledges as of December 31, 2017 and 2016:

	2017	2016
Accounts receivable		
Amounts expected to be collected in:		
Less than one year	$ 14,152	$ -
Contributions receivable		
Amounts expected to be collected in:		
Less than one year	131,327	28,112
One to five years	27,500	8,500
More than five years	-	-
Total accounts and contributions receivable	172,979	36,612
Less: unamortized discount	(3,706)	(359)
Total accounts and contributions receivable, net	169,273	36,253
Less: current portion of accounts and contributions receivable, net	(144,171)	(28,038)
Total long-term accounts and contributions receivable, net	$ 25,102	$ 8,215

The discount rate used for the years ended December 31, 2017 and 2016 ranged from 1.50% to 5.00%.

5. FAIR VALUE MEASUREMENTS

In determining fair value, the Organization 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. A hierarchy for inputs is 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. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1	Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets
Level 2	Valuations based on quoted market prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets
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 transactions.

The fair value of assets and liabilities measured on a recurring basis as of December 31, 2017 and 2016 are as follows:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Nontraditional	$ 567,985	$ -	$ -	$ 567,985
Emerging market	170,395	-	-	170,395
Exchange-traded funds:				
Equity		2,396,846	-	2,396,846
Debt securities:				
Government bonds	-	509,168	-	509,168
Corporate bonds	-	485,919	-	485,919
Asset-backed securities	-	115,388	-	115,388
Equity Securities:				
U.S. Corporate Equity Securities	291,699	-	-	291,699
International Corporate Equity Securities	218,774	-	-	218,774
Totals	$ 1,248,853	$ 3,507,321	$ -	$ 4,756,174

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Nontraditional	$ 721,369	$ -	$ -	$ 721,369
Emerging market	154,610	-	-	154,610
Exchange-traded funds:				
Equity		1,952,483	-	1,952,483
Debt securities:				
Government bonds	-	446,526	-	446,526
Corporate bonds	-	519,090	-	519,090
Asset-backed securities	-	167,916	-	167,916
Equity Securities:				
U.S. Corporate Equity Securities	526,544	-	-	526,544
International Corporate Equity Securities	329,625	-	-	329,625
Totals	$ 1,732,148	$ 3,086,015	$ -	$ 4,818,163

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair values of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The Organization reviewed and evaluated the values and assumptions used in determining the fair value of Level 3 financial instruments. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

The Organization's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

Certain of the Organization's investments classified as exchange-traded funds and hedge funds are recorded at net asset value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Fair value represents the net asset value (NAV) of shares or units held by the Organization at year end. The financial statements of these investments are prepared in accordance with U.S. GAAP and are audited annually by independent auditors. As of December 31, 2017 and 2016, the Organization had no unfunded commitments to invest in these funds. Redemptions, at NAV, of shares in these investments are immediate with one-day notice.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Interest and dividend income	$ 110,376	$ 104,693
Realized and unrealized gains, net	516,272	157,015
Less investment expenses	(54,104)	(56,432)
Investment income, net	$ 572,544	$ 205,276

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2017 and 2016:

	2017	2016
Land	$ 1,646,077	$ 990,910
Buildings and improvements	11,945,953	11,765,894
Furniture and fixtures	630,827	340,596
Vehicles	76,803	76,803
Total, at cost	14,299,660	13,174,203
Less: accumulated depreciation	(3,360,916)	(2,982,371)
Total property and equipment, net	$ 10,938,744	$ 10,191,832

7. NOTE RECEIVABLE

The Organization had a note receivable due from a third party totaling $276,235 and $262,790 at December 31, 2017 and 2016, respectively. The note requires monthly payments of $1,650 from January 2018 to November 2022 and a balloon payment of $243,956 in December 2022. The note bears 5% interest annually and is secured by land and a building. Future maturities of the note receivable are as follows:

Year Ending December 31,	
2018	$ 6,126
2019	6,439
2020	6,769
2021	7,115
2022	249,786
Thereafter	-
Total	$ 276,235

8. ENDOWMENT FUNDS

The Organization's endowments consist of two funds established to support the social service mission of the Organization. The endowments consist of donor-restricted and board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's endowment funds consist of the Kroc endowment and the Legacy endowment. The Kroc endowment consists of donor-restricted funds, $500,000 of which are permanently restricted. The remainder of the Kroc endowment is temporarily restricted for house operating costs. The Legacy endowment consists of board-designated funds designated to support ongoing house operations.

Interpretation of Relevant Law

The Organization has interpreted 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. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other sources of the Organization
- The investment policies of the Organization

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 the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce returns that are 2% to 3% higher than the rate of inflation, while assuming a moderate level of investment risk.

Spending Policy

The Organization has a policy which allows all unrestricted and temporarily restricted portions of the endowment fund to be appropriated for expenditure at the discretion of the board of directors.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The organization targets a diversified asset allocation that emphasizes common stocks and fixed income securities to achieve its long-term objectives within prudent risk constraints.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Kroc endowment	$ -	$ 765,609	$ 500,000	$ 1,265,609
Legacy endowment	2,549,908	-	-	2,549,908
Total	$ 2,549,908	$ 765,609	$ 500,000	$ 3,815,517

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Kroc endowment	$ -	$ 620,480	$ 500,000	$ 1,120,480
Legacy endowment	3,019,533	-	-	3,019,533
Total	$ 3,019,533	$ 620,480	$ 500,000	$ 4,140,013

Changes in endowment net assets for the fiscal years ending December 31, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, December 31, 2015	$ 1,907,057	$ 571,629	$ 500,000	$ 2,978,686
Reclassification to endowment	999,337	-	-	999,337
Investment return				
Investment income, net	113,139	48,851	-	161,990
Total investment return	113,139	48,851	-	161,990
Appropriation of endowment assets for expenditure	-	-	-	-
Net assets, December 31, 2016	3,019,533	620,480	500,000	4,140,013
Reclassification to endowment	100,000	-	-	100,000
Investment return				
Investment income, net	330,924	145,129	-	476,053
Total investment return	330,924	145,129	-	476,053
Appropriation of endowment assets for expenditure	(900,549)	-	-	(900,549)
Net assets, December 31, 2017	$ 2,549,908	$ 765,609	$ 500,000	$ 3,815,517

9. BOARD-DESIGNATED AND RESTRICTED NET ASSETS

Board-designated, temporarily restricted, and permanently restricted net assets consisted of the following at December 31, 2017:

	Board Designated	Temporarily Restricted	Permanently Restricted
Contributions receivable, net	$ -	$ 155,120	$ -
Capital improvements	-	209,173	-
Family room operations	-	43,185	-
Kroc endowment	-	765,609	500,000
Legacy endowment	2,549,908	-	-
Maintenance fund	950,707	-	-
Total	$ 3,500,615	$ 1,173,087	$ 500,000

Board-designated, temporarily restricted, and permanently restricted net assets consisted of the following at December 31, 2016:

	Board Designated	Temporarily Restricted	Permanently Restricted
Contributions receivable, net	$ -	$ 36,253	$ -
Capital improvements	-	84,297	-
Family room operations	-	50,000	-
Kroc endowment	-	620,480	500,000
Legacy endowment	3,019,533	-	-
Maintenance fund	922,894	-	-
Total	$ 3,942,427	$ 791,030	$ 500,000

10. IN-KIND CONTRIBUTIONS

The fair market value of contributed goods, services, and use of facilities included in the financial statements for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Use of facilities	$ 89,141	$ 94,849
Specialized services	195,285	88,808
Food	261,402	135,148
Supplies and other goods	99,963	74,999
Investments	8,137	44,232
Property and equipment	3,000	-
Total	$ 656,928	$ 438,036

11. RETIREMENT PLAN

The Organization established a SIMPLE IRA retirement plan that covers employees who meet certain eligibility requirements. The Organization contributes matching contributions for eligible employees. The Organization's contributions to the plan for the years ending December 31, 2017 and 2016 was $37,157 and $29,972, respectively.

12. OPERATING LEASES

The Organization leases its family room facilities as Primary Children's Medical Center under an operating lease which expires in June 2018. The lease is cancellable by either party with 120 days written notice. The lease provides donated use of the facilities and requires no rental payments. The Organization also leased its family room facilities from Ogden Regional Medical Center under a month-to-month operating lease through August 2016. The lease provided donated use of the facilities and required no rental payments. Donated rent received by the organization under these agreements for the year ended December 31, 2017 and 2016 was $89,141 and $94,849, respectively.

The Organization leases office equipment under operating leases expiring between February 2018 and August 2021. The leases require monthly payments totaling $278. Future minimum lease payments under operating leases are as follows:

Year Ending December 31,	
2018	$ 1,912
2019	1,626
2020	1,626
2021	1,084
2022	-
Thereafter	-
Total	$ 6,248

13. RELATED-PARTY TRANSACTIONS

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 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 received $121,383 and $101,652, respectively, from these revenue streams.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 4, 2018, which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.