

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.  
BOISE, IDAHO**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ronald McDonald House Charities of Idaho, Inc.  
Boise, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ronald McDonald House Charities of Idaho, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audit. We conducted our audit 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 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.

Board of Directors  
Ronald McDonald House Charities of Idaho, Inc.

***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 Idaho, Inc. as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 18, the statement of activities for the year ending December 31, 2018 was restated. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boise, Idaho  
May 20, 2020

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 924,553	\$ 745,773
Pledges Receivable, Net	3,507,390	1,407,075
Receivables	33,989	-
Prepaid Expenses	9,766	6,954
Investments	5,359,405	10,477,238
Property and Equipment, Net	15,174,841	1,721,912
Total Assets	\$ 25,009,944	\$ 14,358,952
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,278,850	\$ 402,240
Deferred Revenue	53,730	-
Line of Credit	800,000	-
Total Liabilities	2,132,580	402,240
<b>NET ASSETS</b>		
Without Donor Restrictions	9,178,914	6,492,365
With Donor Restrictions	13,698,450	7,464,347
Total Net Assets	22,877,364	13,956,712
Total Liabilities and Net Assets	\$ 25,009,944	\$ 14,358,952

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 692,725	\$ 5,943,118	\$ 6,635,843
Special Events Revenue	329,686	-	329,686
Less Direct Benefit Costs	(109,168)	-	(109,168)
	220,518	-	220,518
Room Donations/Fees	10,400	-	10,400
In-Kind Contributions	177,310	866,864	1,044,174
Other Operating Income	3,975	-	3,975
Net Assets Released from Restrictions	648,697	(648,697)	-
Total Revenues and Other Support	1,753,625	6,161,285	7,914,910
<b>EXPENSES</b>			
Program Services	958,053	-	958,053
Management and General Administration	254,519	-	254,519
Fundraising	196,142	-	196,142
Total Expenses	1,408,714	-	1,408,714
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	344,911	6,161,285	6,506,196
<b>OTHER INCOME</b>			
Gain on Exchange	1,599,484	-	1,599,484
Loss on Disposal of Assets	(743)	-	(743)
Investment Income, Net	742,897	72,818	815,715
Total Other Income, Net	2,341,638	72,818	2,414,456
<b>CHANGE IN NET ASSETS</b>	2,686,549	6,234,103	8,920,652
Net Assets - Beginning of Year	6,492,365	7,464,347	13,956,712
<b>NET ASSETS - END OF YEAR</b>	\$ 9,178,914	\$ 13,698,450	\$ 22,877,364

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.  
STATEMENT OF ACTIVITIES, AS RESTATED  
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 544,347	\$ 6,688,262	\$ 7,232,609
Special Events Revenue	370,574	-	370,574
Less Direct Benefit Costs	(107,338)		(107,338)
	263,236		263,236
Room Donations/Fees	12,659	-	12,659
In-Kind Contributions	188,991	-	188,991
Other Income	8,012	-	8,012
Net Assets Released from Restrictions	34,948	(34,948)	-
Total Revenues and Other Support	1,052,193	6,653,314	7,705,507
<b>EXPENSES</b>			
Program Services	741,383	-	741,383
Management and General Administration	179,410	-	179,410
Fundraising	121,360	-	121,360
Total Expenses	1,042,153	-	1,042,153
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	10,040	6,653,314	6,663,354
<b>INVESTMENT LOSS, NET</b>	(157,581)	34,948	(122,633)
<b>CHANGE IN NET ASSETS</b>	(147,541)	6,688,262	6,540,721
Net Assets - Beginning of Year	6,639,906	776,085	7,415,991
<b>NET ASSETS - END OF YEAR</b>	\$ 6,492,365	\$ 7,464,347	\$ 13,956,712

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services				Management and General	Fundraising	Total
	Ronald McDonald House	Family Room	Hospitality Carts	Total			
Salaries	\$ 279,525	\$ 68,809	\$ -	\$ 348,334	\$ 129,234	\$ 133,381	\$ 610,949
Employee Benefits	35,272	8,683	-	43,955	16,307	16,831	77,093
Payroll Taxes	21,805	5,367	-	27,172	10,081	10,405	47,658
Total Salaries and Related Expenses	<u>336,602</u>	<u>82,859</u>	<u>-</u>	<u>419,461</u>	<u>155,622</u>	<u>160,617</u>	<u>735,700</u>
Advertising	45,016	12,277	-	57,293	-	24,554	81,847
Bank Charges	-	-	-	-	7,864	-	7,864
Canister Expenses	5,644	-	-	5,644	-	-	5,644
Cart Supplies	-	-	4,187	4,187	-	-	4,187
Cleaning Services and Supplies	137,743	-	-	137,743	-	-	137,743
Depreciation	25,100	-	-	25,100	-	-	25,100
Dues and Subscriptions	3,503	-	-	3,503	-	-	3,503
Family Support Services and Supplies	4,878	44,366	-	49,244	-	-	49,244
Grants	753	-	-	753	-	-	753
Insurance	16,974	-	-	16,974	4,243	-	21,217
Maintenance and Repairs	84,986	537	-	85,523	-	-	85,523
Meetings, Education and Training	-	-	-	-	23,057	-	23,057
Office Supplies	-	-	-	-	6,622	-	6,622
Postage and Courier	3,329	-	-	3,329	1,665	1,664	6,658
Printing and Publishing	4,015	-	-	4,015	5,353	4,014	13,382
Professional Fees	22,401	7,467	-	29,868	44,801	-	74,669
Rent	-	56,120	-	56,120	-	-	56,120
Interest Expense	2,793	-	-	2,793	-	-	2,793
Technology	4,549	13,646	-	18,195	2,274	2,275	22,744
Telephone	9,054	-	-	9,054	3,018	3,018	15,090
Utilities	22,391	-	-	22,391	-	-	22,391
Volunteer Resources and Recognition	6,863	-	-	6,863	-	-	6,863
Total Expenses	<u>\$ 736,594</u>	<u>\$ 217,272</u>	<u>\$ 4,187</u>	<u>\$ 958,053</u>	<u>\$ 254,519</u>	<u>\$ 196,142</u>	<u>\$ 1,408,714</u>

See accompanying Notes to Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Ronald McDonald House	Family Room	Hospitality Carts	Total	Management and General	Fundraising	Total
Salaries	\$ 238,829	\$ 24,599	\$ -	\$ 263,428	\$ 72,716	\$ 74,667	\$ 410,811
Employee Benefits	45,206	4,656	-	49,862	13,764	14,134	77,760
Payroll Taxes	18,606	1,916	-	20,522	5,665	5,818	32,005
Total Salaries and Related Expenses	<u>302,641</u>	<u>31,171</u>	<u>-</u>	<u>333,812</u>	<u>92,145</u>	<u>94,619</u>	<u>520,576</u>
Advertising	38,369	10,464	-	48,833	-	20,929	69,762
Bank Charges	-	-	-	-	5,405	-	5,405
Canister Expenses	4,441	-	-	4,441	-	-	4,441
Cart Supplies	-	-	3,484	3,484	-	-	3,484
Cleaning Services and Supplies	93,011	-	-	93,011	-	-	93,011
Depreciation	77,290	-	-	77,290	-	-	77,290
Dues and Subscriptions	2,476	-	-	2,476	-	-	2,476
Family Support Services and Supplies	5,945	-	-	5,945	-	-	5,945
Grants	1,527	-	-	1,527	-	-	1,527
Insurance	14,569	118	-	14,687	3,642	-	18,329
Maintenance and Repairs	62,170	-	-	62,170	-	-	62,170
Meetings, Education and Training	-	-	-	-	27,182	-	27,182
Office Supplies	-	-	-	-	6,312	-	6,312
Postage and Courier	2,181	-	-	2,181	1,091	1,090	4,362
Printing and Publishing	1,640	-	-	1,640	2,187	1,640	5,467
Professional Fees	19,182	6,394	-	25,576	38,364	-	63,940
Rent	-	13,755	-	13,755	-	-	13,755
Technology	3,513	10,540	-	14,053	1,757	1,756	17,566
Telephone	3,976	-	-	3,976	1,325	1,326	6,627
Utilities	24,519	-	-	24,519	-	-	24,519
Volunteer Resources and Recognition	8,007	-	-	8,007	-	-	8,007
Total Expenses	<u>\$ 665,457</u>	<u>\$ 72,442</u>	<u>\$ 3,484</u>	<u>\$ 741,383</u>	<u>\$ 179,410</u>	<u>\$ 121,360</u>	<u>\$ 1,042,153</u>

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 8,920,652	\$ 6,540,721
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	25,100	77,290
Net Realized and Unrealized (Gains) Loss on Investments	(513,092)	355,252
Gain on Exchange	(1,599,484)	-
In-Kind Donation of Property and Equipment	(866,864)	(40,000)
Loss on Sale of Assets	743	
(Increase) Decrease in Assets:		
Accounts Receivable	(33,989)	-
Pledges Receivable	(2,100,315)	(1,407,075)
Prepaid Expenses	(2,812)	4,335
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	876,610	366,051
Deferred Revenue	53,730	-
Net Cash Provided by Operating Activities	<u>4,760,279</u>	<u>5,896,574</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(2,341,249)	(6,423,202)
Proceeds from Sale of Investments	7,972,174	1,600,000
Purchases of Property and Equipment	<u>(11,012,424)</u>	<u>(863,716)</u>
Net Cash Used by Investing Activities	(5,381,499)	(5,686,918)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Borrowings Under Line of Credit	<u>800,000</u>	-
Net Cash Provided by Investing Activities	<u>800,000</u>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	178,780	209,656
Cash and Cash Equivalents - Beginning of Year	<u>745,773</u>	<u>536,117</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 924,553</u>	<u>\$ 745,773</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>		
In-Kind Donation of Property and Equipment	<u>\$ 866,864</u>	<u>\$ 40,000</u>
Gain on Exchange	<u>\$ 1,599,484</u>	<u>\$ -</u>

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Idaho, Inc. (the Organization) is an Idaho nonprofit charitable corporation formed in 1987. The mission of Ronald McDonald House Charities of Idaho is to support families of ill or injured children by keeping them together in times of medical need. Collectively, RMHC and the network of local Chapters ascribe 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.

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 of Idaho:

**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 program located in Boise, Idaho, 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 Eastern Idaho Regional Medical Center 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.

**Ronald McDonald Hospitality Carts**

Designed to serve families who wait for hours without leaving the hospital or their child's bedside, the "Happy Wheels" hospitality carts provide a bit of comfort as they travel the hallways of Saint Alphonsus Hospital and St. Luke's Children's Hospital, bringing parents a hot beverage and snack while keeping the little ones entertained with books, fun actives, and toys. Run by volunteers at each hospital, the carts are out a total of five days a week to provide comfort and care for the hundreds of families each month.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

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 net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**Pledges Receivable**

Pledges 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 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. Pledges receivable are written off when deemed uncollectible.

**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.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	7 to 40 Years
Office Furniture and Equipment	5 to 10 Years
Vehicles	5 Years

**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.

**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 net assets without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions 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. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves, future expansion, and capital improvements.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*Net Assets With Donor Restrictions* - Net assets 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.

**Revenue Recognition**

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 net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Special event revenue is recognized when the event occurs. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Functional Expenses**

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: advertising, insurance, postage and courier, printing, professional fees, technology, and telephone, which are allocated based on management's percentage of estimated consumption per functional category; and salaries and wages and employee benefits, which are allocated on the basis of estimates of time and effort.

**Liquidity**

The Organization has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following as of December 31:

	2019	2018
Cash and Cash Equivalents	\$ 924,553	\$ 745,773
Pledges Receivable	3,507,390	1,407,075
Accounts Receivable	33,989	-
Investments	5,359,405	10,477,238
Long-Term Pledges Receivable	(1,899,168)	(620,554)
Endowment	(496,200)	(496,200)
Total	<u>\$ 7,429,969</u>	<u>\$ 11,513,332</u>

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Liquidity (Continued)**

The Organization has \$7,429,969 and \$11,513,332 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which consists of cash and cash equivalents and investments for the years ended December 31, 2019 and 2018, respectively. The amount of the endowment is reflected in investments, and therefore has been subtracted from liquid assets available for general operations.

The Organization manages its liquidity and reserves following three guiding principles: operation within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Change in Accounting Principle**

In 2019, the Company adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Company's financial position and results of operations upon adoption of the new standard.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The financial statements reflect the adoption for ASU 2018-08 as of January 1, 2019.

**RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain amounts in 2018 have been reclassified for comparative purposes to conform with the presentation in 2019. The reclassifications have no effect on the previously reported net income or total net assets.

**NOTE 2 COMMITMENT**

The Organization is in the process of constructing a new House. Construction costs to date, which have been capitalized as construction in progress, are \$12,264,294 as of December 31, 2019. The Organization expects the additional costs to complete the House will be approximately \$1,748,702. Retainage payable in connection with this project is \$461,832 and is included in accounts payable at December 31, 2019.

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable consisted of the following as of December 31, 2019:

<u>Collection Period</u>	<u>Pledges Receivable</u>	<u>Discount</u>	<u>Net Pledges Receivable</u>
Within One Year	\$ 1,608,222	\$ -	\$ 1,608,222
Between One to Four Years	1,999,870	(100,702)	1,899,168
Total	<u>\$ 3,608,092</u>	<u>\$ (100,702)</u>	<u>\$ 3,507,390</u>

The Organization held a fundraising campaign for funds to construct a new house and a family room. Promises to give are restricted to payment of the costs of building the new facilities. The promises to give as of December 31, 2019, are unconditional and due \$1,608,222 in 2019 and \$1,899,168 over the following four years. Promises to give that are due after 2020 are discounted at 2.63%. The unamortized discount on promises to give is \$100,702 as of December 31, 2019. There are no amounts that are considered uncollectible.

**NOTE 4 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;



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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets measured on a recurring basis as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Money Market	\$ 370,718	\$ -	\$ -	\$ 370,718
Common Stock	3,631,921	-	-	3,631,921
Bonds	1,356,766	-	-	1,356,766
Total	<u>\$ 5,359,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,359,405</u>
	2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Money Market	\$ 4,288,522	\$ -	\$ -	\$ 4,288,522
Common Stock	3,226,967	-	-	3,226,967
Bonds	2,961,749	-	-	2,961,749
Total	<u>\$ 10,477,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,477,238</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments is determined from valuation techniques in which one or more inputs are unobservable.

**Investments**

**Overall Investment Objective**

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. The investment policy requires that, to achieve diversification, portfolio asset allocations will be 65% equity and 35% fixed income and nonequity investments. A range of + or – 10% has been identified as an acceptable degree of variation in the portfolio’s equity/non-equity mix. The policy also requires that no one stock will comprise more than 5% of the equity allocation with the exception of McDonald’s Corporation, which can have a maximum limit of 15%. Major investment decisions are authorized by the Finance Committee which oversees the Organization’s investment program in accordance with established guidelines.

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income	\$ 302,623	\$ 224,783
Realized and Unrealized Gains (Losses), Net	513,092	(347,416)
Investment Income, Net	<u>\$ 815,715</u>	<u>\$ (122,633)</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,375,000	\$ 65,744
Buildings	503,929	1,610,275
Improvements	3,831	326,974
Landscaping	-	72,506
Furniture and Fixtures	209,057	242,807
Construction in Progress	12,264,294	891,707
Office Furniture and Equipment	99,355	120,712
Signage	11,706	11,706
Vehicles	16,081	16,081
Subtotal	<u>15,483,253</u>	<u>3,358,512</u>
Less: Accumulated Depreciation and Amortization	308,412	1,636,600
Total Property and Equipment	<u>\$ 15,174,841</u>	<u>\$ 1,721,912</u>

**NOTE 6 PROPERTY EXCHANGE**

The Organization exchanged property with another Organization during January of 2019 in a nonmonetary transaction. The exchange was to acquire the land to build a new facility, and the asset exchanged was the old facility, both in Boise Idaho. The value of acquired property was based on the appraised value of the old property plus other considerations that both parties agreed effected the value including rights to use and flexibility in the timing of transfer. The Organization reported a gain on the exchange of \$1,599,484 for the year ended December 31, 2019.

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**NOTE 7 ENDOWMENT FUNDS**

The Organization's endowment consists of a fund established by the Kroc Family to provide annual funding for general operations. Terms of the endowment allow for all earnings to be used for operations of the House. The original endowment, in the amount of \$496,200 is reported as net assets with donor restrictions. Originally, the endowment consisted of McDonald's Corporation stock. However, in the interest of diversification, the Organization has sold some of the McDonald's Corporation stock and invested in debt and equity mutual funds.

Absent explicit donor stipulations to the contrary, 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 funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

*Investment Return Objectives, Risk Parameters, and Strategies:* The Organization has adopted investment and spending policies, approved by the board of trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5.8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

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**NOTE 7 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of Year Balance	\$ -	\$ 496,200	\$ 496,200
Contributions	-	-	-
Investment Return, Net	-	72,818	72,818
Appropriation of Endowment Assets for Expenditure	-	(72,818)	(72,818)
End of Year Balance	<u>\$ -</u>	<u>\$ 496,200</u>	<u>\$ 496,200</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of Year Balance	\$ -	\$ 496,200	\$ 496,200
Contributions	-	20,596	20,596
Investment Income	-	14,352	14,352
Appropriation of endowment assets for expenditure	-	(34,948)	(34,948)
End of Year Balance	<u>\$ -</u>	<u>\$ 496,200</u>	<u>\$ 496,200</u>

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

**NOTE 8 LINE OF CREDIT**

The Organization entered into a line of credit with Zions bank on October 30, 2019 with \$4,000,000 available to borrow. The interest rate is variable at 2 percentage points over the London Interbank Offered Rate (LIBOR) rate resulting in a rate of 3.78% at December 31, 2019. The line of credit is set to mature April 30, 2020. The balance as of December 31, 2019 was \$800,000. The Organization was not in compliance with the due date to issue the financials and received an extension from the bank. The Bank has committed that after April 30, 2020 a term loan will be put in place for five years, secured by 1st lien deed of trust on Ronald McDonald House in Boise.

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**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Ronald McDonald House	\$ 13,202,250	\$ 6,578,011
Ronald McDonald Family Room	-	390,136
Total	<u>13,202,250</u>	<u>6,968,147</u>
Endowments:		
Restricted by Donors to be Held in Perpetuity	496,200	496,200
Total Net Assets with Donor Restrictions	<u>\$ 13,698,450</u>	<u>\$ 7,464,347</u>

**NOTE 10 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Construction of Ronald McDonald Family Room	\$ 575,879	\$ -
Endowment Earnings - House Operations	72,818	34,948
Total	<u>\$ 648,697</u>	<u>\$ 34,948</u>

**NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's governing board of trustees has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Board-Designated Operating Reserve	\$ 2,000,000	\$ 2,000,000
Board-Designated Future Expansion	-	1,250,000
Board-Designated Capital Improvements	200,000	200,000
Total Board-Designated	<u>\$ 2,200,000</u>	<u>\$ 3,450,000</u>

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**NOTE 12 DONATED GOODS AND SERVICES**

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories including \$866,864 and \$40,000 that was capitalized for the year ended December 31, 2019 and 2018, respectively are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
House Operations:		
Cleaning Services and Supplies	\$ 78,330	\$ 75,069
Cable and Internet Services	9,183	2,950
Repairs and Maintenance	9,036	5,783
Lawncare and Maintenance	387	4,258
Rent Expense	<u>56,120</u>	<u>13,755</u>
Total	153,056	101,815
Management and General:		
Accounting and Professional Services	879,294	79,916
Special Events:		
Sporting Clays	7,353	5,684
Golf Tournament	<u>4,471</u>	<u>1,576</u>
Total	<u>11,824</u>	<u>7,260</u>
Total Donated Services and Supplies	<u><u>\$ 1,044,174</u></u>	<u><u>\$ 188,991</u></u>

**NOTE 13 SIMPLE RETIREMENT PLAN**

The Organization has a Simple Retirement Plan qualified as tax-deferred under of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes 3% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions to the plan were \$9,873 and \$8,754 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 14 OPERATING LEASES**

The Organization entered into a noncancelable operating lease with Eastern Idaho Regional Medical Center that commenced in October of 2018 which expires September 30, 2023. The annual rental payments are \$1 over the lease term. The difference between the required annual payments and the fair market value is recorded as in-kind revenue in the year of receipt. The amount recognized in the year ended December 31, 2019 and 2018 for in-kind revenue and rental expense related to this lease was \$56,120 and \$13,755.

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**NOTE 15 TRANSACTIONS WITH RELATED ENTITIES**

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% of net revenues from all national fundraising efforts facilitated by RMHC Global in McDonald's restaurants, as defined by the license agreement. During the years ended December 31, 2019 and 2018, the Organization received \$158,446 and \$103,975, respectively, from these revenue streams.

**NOTE 16 CONCENTRATIONS**

Contributions totaling \$1,500,000 were received from one donor during the year ended December 31, 2019, which represents 15% of total revenues and other support. Contributions totaling \$6,000,000 were received from two donors during the year ended December 31, 2018, which represents 79% of total revenues and other support. The contributions were part of the Capital Campaign initiated in 2018 for the construction of the new house.

**NOTE 17 SUBSEQUENT EVENTS**

Management evaluated subsequent events through May 20, 2020, the date the financial statements were available to be issued. Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Organization received a loan in the amount of \$137,900 to fund payroll and utilities through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

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**NOTE 18 RESTATEMENT**

During the year ending December 31, 2019 the Organization determined that the net asset releases for the year ending December 31, 2018 related to the construction projects should not have been released until the projects were placed into service. As a result, the Organization reclassified \$956,852 of net assets without donor restriction to net assets with donor restriction.

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Net Assets Released from Restrictions, as Previously Reported	\$ 956,852	\$ (956,852)	\$ -
Restatement	<u>(956,852)</u>	<u>956,852</u>	<u>-</u>
Net Assets Released from Restrictions, as Restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets As Previously Reported as of December 31, 2018	\$ 7,449,217	\$ 6,507,495	\$ 13,956,712
Restatement	<u>(956,852)</u>	<u>956,852</u>	<u>-</u>
Net Assets As Restated as of December 31, 2018	<u>\$ 6,492,365</u>	<u>\$ 7,464,347</u>	<u>\$ 13,956,712</u>



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