

---

---

***RONALD MCDONALD HOUSE  
CHARITIES OF DENVER, INC.***  
*FINANCIAL STATEMENTS  
DECEMBER 31, 2017*

---

---

## **Contents**

---

	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1 - 2
 <b>Financial Statements</b>	
Statement Of Financial Position.....	3
Statement Of Activities - 2017 .....	4
Statement Of Activities - 2016 .....	5
Statement Of Functional Expenses - 2017 .....	6
Statement Of Functional Expenses - 2016 .....	7
Statement Of Cash Flows.....	8
Notes To Financial Statements.....	9 - 21



RubinBrown LLP  
Certified Public Accountants  
& Business Consultants

1900 16<sup>th</sup> Street  
Suite 300  
Denver, CO 80202

T 303.698.1883  
F 303.777.4458

W [rubinbrown.com](http://rubinbrown.com)  
E [info@rubinbrown.com](mailto:info@rubinbrown.com)

## Independent Auditors' Report

Board of Directors  
Ronald McDonald House Charities of Denver, Inc.  
Denver, Colorado

### Report On The Financial Statements

We have audited the accompanying financial statements of the Ronald McDonald House Charities of Denver, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility For The Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ronald McDonald House Charities of Denver, 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.

*RubinBrown LLP*

March 26, 2018

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2017 And 2016

### Assets

	2017	2016
<b>Current Assets</b>		
Cash and cash equivalents	\$ 980,907	\$ 1,492,313
Investments (Note 3)	3,414,389	1,299,641
Receivables:		
Net pledges (Note 4)	22,960	190,250
Other (Note 5)	185,950	30,834
Prepaid expenses	29,735	32,068
Inventory	42,797	42,242
Restricted cash equivalents (Note 2)	634,181	582,216
Restricted investments (Notes 2 and 3)	324,575	357,257
<b>Total Current Assets</b>	<b>5,635,494</b>	<b>4,026,821</b>
<b>Beneficial Use Of Land (Note 8)</b>	<b>130,509</b>	<b>130,587</b>
<b>Property And Equipment</b>		
Land	167,000	167,000
Buildings and improvements	26,561,380	26,586,380
Furnishings and equipment	564,311	722,038
	27,292,691	27,475,418
Less: Accumulated depreciation	6,113,592	5,506,407
<b>Net Property And Equipment</b>	<b>21,179,099</b>	<b>21,969,011</b>
<b>Total Assets</b>	<b>\$ 26,945,102</b>	<b>\$ 26,126,419</b>

### Liabilities And Net Assets

<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 71,200	\$ 93,471
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,932,257	2,619,511
Property and equipment	21,179,099	21,969,011
Board-designated maintenance fund (Note 10)	2,650,312	183,917
<b>Total Unrestricted</b>	<b>25,761,668</b>	<b>24,772,439</b>
Temporarily restricted (Note 6)	565,984	714,259
Permanently restricted (Note 7)	546,250	546,250
<b>Total Net Assets</b>	<b>26,873,902</b>	<b>26,032,948</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 26,945,102</b>	<b>\$ 26,126,419</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains And Other Support</b>				
Contributions	\$ 1,654,957	\$ 139,055	\$ —	\$ 1,794,012
Sky High Hope Camp contributions	—	34,823	—	34,823
In-kind contributions (Note 1)	1,050,830	—	—	1,050,830
Guest donations	186,719	—	—	186,719
Special events, net of expenses	442,002	54,440	—	496,442
Room revenue	653,073	—	—	653,073
Investment return (Note 3)	243,551	11,108	—	254,659
Other revenue	5,170	—	—	5,170
Net assets released from restrictions (Note 6)	387,701	(387,701)	—	—
<b>Total Revenues, Gains And Other Support</b>	<b>4,624,003</b>	<b>(148,275)</b>	<b>—</b>	<b>4,475,728</b>
<b>Expenses</b>				
Program services:				
Ronald McDonald House	2,672,315	—	—	2,672,315
Grants to other nonprofits	109,472	—	—	109,472
Sky High Hope Camp	83,018	—	—	83,018
Family Room program	44,105	—	—	44,105
<b>Total Program Services</b>	<b>2,908,910</b>	<b>—</b>	<b>—</b>	<b>2,908,910</b>
Supporting services:				
Management and general	359,159	—	—	359,159
Fundraising	276,308	—	—	276,308
<b>Total Supporting Services</b>	<b>635,467</b>	<b>—</b>	<b>—</b>	<b>635,467</b>
<b>Unallocated Expenses</b>				
Loss on disposal of assets	15,261	—	—	15,261
Unallocated payments to RMHC Global	75,136	—	—	75,136
<b>Total Expenses</b>	<b>3,634,774</b>	<b>—</b>	<b>—</b>	<b>3,634,774</b>
<b>Change In Net Assets</b>	<b>989,229</b>	<b>(148,275)</b>	<b>—</b>	<b>840,954</b>
<b>Net Assets At Beginning Of Year</b>	<b>24,772,439</b>	<b>714,259</b>	<b>546,250</b>	<b>26,032,948</b>
<b>Net Assets At End Of Year</b>	<b>\$ 25,761,668</b>	<b>\$ 565,984</b>	<b>\$ 546,250</b>	<b>\$ 26,873,902</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains And Other Support</b>				
Contributions	\$ 1,581,847	\$ 54,586	\$ —	\$ 1,636,433
Sky High Hope Camp contributions	—	97,483	—	97,483
In-kind contributions (Note 1)	1,100,428	—	—	1,100,428
Guest donations	179,531	—	—	179,531
Special events, net of expenses	256,758	223,235	—	479,993
Room revenue	297,795	—	—	297,795
Investment return (Note 3)	71,310	911	—	72,221
Net assets released from restrictions (Note 6)	218,553	(218,553)	—	—
<b>Total Revenues, Gains And Other Support</b>	<b>3,706,222</b>	<b>157,662</b>	<b>—</b>	<b>3,863,884</b>
<b>Expenses</b>				
Program services:				
Ronald McDonald House	2,599,835	—	—	2,599,835
Grants to other nonprofits	108,292	—	—	108,292
Sky High Hope Camp	89,438	—	—	89,438
Family Room program	41,671	—	—	41,671
<b>Total Program Services</b>	<b>2,839,236</b>	<b>—</b>	<b>—</b>	<b>2,839,236</b>
Supporting services:				
Management and general	241,348	—	—	241,348
Fundraising	293,824	—	—	293,824
<b>Total Supporting Services</b>	<b>535,172</b>	<b>—</b>	<b>—</b>	<b>535,172</b>
<b>Unallocated Expenses</b>				
Loss on disposal of assets	17,626	—	—	17,626
Payments to RMHC Global	104,415	—	—	104,415
<b>Total Expenses</b>	<b>3,496,449</b>	<b>—</b>	<b>—</b>	<b>3,496,449</b>
<b>Change In Net Assets</b>	<b>209,773</b>	<b>157,662</b>	<b>—</b>	<b>367,435</b>
<b>Net Assets At Beginning Of Year</b>	<b>24,562,666</b>	<b>556,597</b>	<b>546,250</b>	<b>25,665,513</b>
<b>Net Assets At End Of Year</b>	<b>\$ 24,772,439</b>	<b>\$ 714,259</b>	<b>\$ 546,250</b>	<b>\$ 26,032,948</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2017

	Program Services					Supporting Services				Total Expenses
	Ronald McDonald House	Grants To Other Nonprofits	Sky High Hope Camp	Family Room Program	Total Program Services	Management And General	Fund- raising	Supporting Services	Total	
Salaries	\$ 361,823	\$ 11,868	\$ 9,890	\$ 29,109	\$ 412,690	\$ 163,794	\$ 142,057	\$ 305,851	\$ 718,541	
Payroll taxes	32,383	994	828	2,460	36,665	14,078	11,628	25,706	62,371	
Benefits	74,453	1,018	848	2,059	78,378	22,466	15,614	38,080	116,458	
Miscellaneous professional services	43,296	—	—	—	43,296	20,223	56,491	76,714	120,010	
Advertising	—	—	—	—	—	—	8,390	8,390	8,390	
Dues, subscriptions and licenses	1,085	—	1,030	—	2,115	3,925	6,521	10,446	12,561	
Community grants	—	43,500	—	—	43,500	—	—	—	43,500	
Scholarships	—	51,625	—	—	51,625	—	—	—	51,625	
Depreciation	801,333	—	—	—	801,333	15,793	1,929	17,722	819,055	
Rent expense	6,615	—	—	1	6,616	—	—	—	6,616	
Utilities	164,570	—	—	—	164,570	4,269	564	4,833	169,403	
Insurance	70,541	183	993	372	72,089	7,620	2,400	10,020	82,109	
Supplies and printing	59,441	—	939	—	60,380	3,366	4,712	8,078	68,458	
Repairs and maintenance	132,477	—	—	—	132,477	295	270	565	133,042	
Event expenses	83	—	—	—	83	—	46,890	46,890	46,973	
Sky High Hope Camp	—	—	51,065	—	51,065	—	—	—	51,065	
Telephone and postage	22,635	82	27	5	22,749	874	1,661	2,535	25,284	
Volunteers and donors	4,170	162	34	395	4,761	—	2,240	2,240	7,001	
Donated food and cleaning supplies	852,126	—	9,023	—	861,149	38,150	—	38,150	899,299	
Donated services	15,518	—	6,490	—	22,008	13,992	264	14,256	36,264	
Other	29,849	40	1,851	9,704	41,444	50,314	21,567	71,881	113,325	
	2,672,398	109,472	83,018	44,105	2,908,993	359,159	323,198	682,357	3,591,350	
Cost of direct benefits to donors	(83)	—	—	—	(83)	—	(46,890)	(46,890)	(46,973)	
<b>Total Expenses</b>	<b>\$ 2,672,315</b>	<b>\$ 109,472</b>	<b>\$ 83,018</b>	<b>\$ 44,105</b>	<b>\$ 2,908,910</b>	<b>\$ 359,159</b>	<b>\$ 276,308</b>	<b>\$ 635,467</b>	<b>\$ 3,544,377</b>	



# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2016

	Program Services					Supporting Services			
	Ronald McDonald House	Grants To Other Nonprofits	Sky High Hope Camp	Family Room Program	Total Program Services	Management And General	Fund- raising	Supporting Services	Total Expenses
Salaries	\$ 348,363	\$ 13,446	\$ 11,205	\$ 28,122	\$ 401,136	\$ 147,832	\$ 138,790	\$ 286,622	\$ 687,758
Payroll taxes	29,338	1,039	866	2,297	33,540	11,592	10,888	22,480	56,020
Benefits	66,846	1,043	869	2,455	71,213	15,337	15,143	30,480	101,693
Miscellaneous professional services	43,284	—	299	—	43,583	16,199	74,736	90,935	134,518
Advertising	—	—	—	—	—	—	8,484	8,484	8,484
Dues, subscriptions and licenses	785	—	549	—	1,334	2,300	7,014	9,314	10,648
Community grants	—	48,153	—	—	48,153	—	—	—	48,153
Scholarships	—	44,125	—	—	44,125	—	—	—	44,125
Depreciation	810,467	—	—	—	810,467	15,804	1,875	17,679	828,146
Rent expense	6,615	—	—	—	6,615	—	—	—	6,615
Utilities	161,803	—	—	—	161,803	4,324	564	4,888	166,691
Insurance	68,879	191	999	352	70,421	7,333	2,280	9,613	80,034
Supplies and printing	47,473	124	1,980	40	49,617	518	5,347	5,865	55,482
Repairs and maintenance	124,564	—	—	—	124,564	254	232	486	125,050
Event expenses	90	—	—	—	90	—	52,295	52,295	52,385
Sky High Hope Camp	—	—	50,557	—	50,557	—	—	—	50,557
Telephone and postage	19,082	35	237	18	19,372	836	3,109	3,945	23,317
Volunteers and donors	271	96	31	—	398	33	2,630	2,663	3,061
Donated food and cleaning supplies	829,457	—	—	—	829,457	3,797	—	3,797	833,254
Donated services	14,018	—	19,069	—	33,087	11,228	264	11,492	44,579
Other	28,590	40	2,777	8,387	39,794	3,961	22,468	26,429	66,223
	2,599,925	108,292	89,438	41,671	2,839,326	241,348	346,119	587,467	3,426,793
Cost of direct benefits to donors	(90)	—	—	—	(90)	—	(52,295)	(52,295)	(52,385)
<b>Total Expenses</b>	<b>\$ 2,599,835</b>	<b>\$ 108,292</b>	<b>\$ 89,438</b>	<b>\$ 41,671</b>	<b>\$ 2,839,236</b>	<b>\$ 241,348</b>	<b>\$ 293,824</b>	<b>\$ 535,172</b>	<b>\$ 3,374,408</b>

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

## STATEMENT OF CASH FLOWS For The Years Ended December 31, 2017 And 2016

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 840,954	\$ 367,435
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	819,055	828,146
Loss on disposal of property and equipment	15,261	19,712
Net realized and unrealized gain on investments	(174,811)	(28,469)
Dividends reinvested	(79,848)	(43,752)
Donated property and equipment	—	(111,469)
Net discount amortization	78	78
(Increase) decrease in operating assets:		
Pledges receivable	167,290	(144,160)
Other receivables	(155,116)	(30,834)
Prepaid expenses	2,333	(12,255)
Inventory	(555)	(4,199)
Decrease in operating liabilities:		
Accounts payable and accrued liabilities	(22,271)	(30,917)
<b>Net Cash Provided By Operating Activities</b>	<b>1,412,370</b>	<b>809,316</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(3,548,626)	(130)
Proceeds from sale of investments	2,955,614	50,000
Purchases of property and equipment	(44,404)	(50,195)
Transfer between cash and investments	(1,234,395)	—
<b>Net Cash Used In Investing Activities</b>	<b>(1,871,811)</b>	<b>(325)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(459,441)</b>	<b>808,991</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>2,074,529</b>	<b>1,265,538</b>
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 1,615,088</b>	<b>\$ 2,074,529</b>
<b>Cash And Cash Equivalents</b>		
Cash and cash equivalents	\$ 980,907	\$ 1,492,313
Restricted cash and cash equivalents	634,181	582,216
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 1,615,088</b>	<b>\$ 2,074,529</b>
<b>Supplemental Cash Flow Information</b>		
Noncash investing and financing activities:		
Gifts of property and equipment	\$ —	\$ 111,469

---

# RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

### 1. Summary Of Significant Accounting Policies

#### General

Ronald McDonald House Charities of Denver, Inc. (RMHC-Denver) is a not-for-profit corporation established to operate facilities (the Ronald McDonald Houses) in Denver and Aurora, Colorado. Ronald McDonald Houses provide temporary housing for seriously ill children and their families while children are receiving treatment at nearby hospitals.

RMHC-Denver's Community Grants program supports 501(c)(3) organizations and their programs that directly improve the health and well-being of children. These include a partnership with Rocky Mountain Youth in one Care Mobile. In addition, the Scholarship Program offers scholarships to students from the community who face limited access to educational and career opportunities. These scholarships are part of RMHC-Denver's ongoing commitment to education and the well-being of children.

RMHC-Denver's Sky High Hope Camp is a residential mountain camp for children who have or have had cancer and their siblings. Campers, under close medical supervision, are allowed to participate in recreational activities and "just be a kid" with other children living with cancer.

RMHC-Denver's Family Room program offers families a place to rest and regroup at three Denver area hospitals. Services at the Ronald McDonald Family Room include a kitchen area, shower facilities, laundry facilities, internet access, a seating area and a quiet room.

RMHC-Denver's activities are supported primarily through contributions and special events.

#### Basis Of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### Financial Statement Presentation

Information regarding the financial position and activities of RMHC-Denver is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

#### Contributions And Contributions Receivable

Contributions received by RMHC-Denver are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

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 and reported in the statement of activities as net assets that are released from restrictions. Restrictions met in the same period in which the related contributions are received are recorded as temporarily restricted support then released to unrestricted net assets.

Unconditional contributions receivable are recognized as revenue when the pledge is received. Conditional pledges are recognized as receivables and revenue when the conditions on which they depend are substantially met. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Accordingly, an allowance for uncollectible pledges receivable of \$4,000 and \$5,000 is recorded at December 31, 2017 and 2016, respectively.

#### Contributed Property And Services

Contributed property and equipment are recorded at fair value on the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values on the date of donation. In-kind contributions for the years ended December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Services and overflow rooms	\$ 36,264	\$ 44,579
Food, supplies and activities	899,299	833,254
Auction items	115,267	111,126
Property and equipment	—	111,469
<b>Total In-Kind Contributions</b>	<b>\$ 1,050,830</b>	<b>\$ 1,100,428</b>

## **RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.**

---

### Notes To Financial Statements *(Continued)*

RMHC-Denver pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist RMHC-Denver with specific programs and activities. RMHC-Denver received 59,886 and 56,548 volunteer hours in 2017 and 2016, respectively. No amounts have been reflected in the accompanying financial statements for volunteers' donated services unless they meet the criteria of recognition under generally accepted accounting principles.

#### **Cash And Cash Equivalents**

For purposes of the statement of cash flows, RMHC-Denver considers all unrestricted highly liquid investments with an initial maturity of three months or less, and that are not part of the investment portfolio, to be cash equivalents.

#### **Investments**

Investments in marketable securities with readily determinable fair values, and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

#### **Accounts Receivable**

RMHC-Denver reviews accounts receivable for collectability at year end. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior-years' experience and management's analysis of subsequent collections.

#### **Inventory**

Inventory consists of donated auction items that have not yet been sold. These contributed items are recorded at their estimated fair value at the date of receipt.

#### **Property And Equipment**

Furniture, fixtures and equipment are carried at cost and depreciated over their estimated useful lives of 3 to 5 years for furniture and equipment and 40 years for buildings. Capitalization of expenditures is based on costs and useful lives. Donated property and equipment is recorded as estimated fair market value at the date of donation. Repairs and maintenance are charged to operations when incurred. Property is capitalized only if it has a cost greater than \$5,000 per asset invoice or group. Depreciation expense is computed using the straight-line method over the estimated useful lives.

RMHC-Denver 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. RMHC-Denver 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. At December 31, 2017 and 2016, no impairment losses have been recognized.

### **Concentrations Of Credit Risk**

Financial instruments which potentially subject RMHC-Denver to concentrations of credit risk consist principally of cash, cash equivalents and investments.

RMHC-Denver maintains cash balances with multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. RMHC-Denver believes it is not exposed to any significant credit risk on its cash balances.

Investment managers that have been identified and utilized by RMHC Global through its McDonald's Charities Investment Program are engaged by RMHC-Denver Board of Directors to make investments, and the investments are monitored by the Board. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of RMHC-Denver.

### **Use Of Estimates**

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

### **Functional Allocation Of Expenses**

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

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

#### Income Taxes

RMHC-Denver has received a determination letter from the Internal Revenue Service for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax liability was recorded for the years ended December 31, 2017 or 2016.

#### Advertising

RMHC-Denver uses advertising to promote its programs in the communities it serves. The production costs of advertising are expensed as incurred. During 2017 and 2016, advertising costs totaled \$8,390 and \$8,484, respectively.

#### Subsequent Events

RMHC-Denver has reviewed and considered subsequent events for disclosure in the financial statements through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. Restricted Cash And Investments

Restricted cash and investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 634,181	\$ 582,216
Mutual funds	324,575	357,257
<b>Total Restricted Cash And Investments</b>	<b>\$ 958,756</b>	<b>\$ 939,473</b>

Restricted cash and investments are restricted to the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Cash received for future Sky High Hope Camp	\$ 324,575	\$ 357,257
Cash received for Coca-Cola purchases	70,453	30,506
Cash received for scholarships	—	1,349
Cash received for family entertainment	537	4,111
Cash received from RMHC Global	5,526	—
Cash received from EcoMedia	11,415	—
Permanent endowment (Note 7)	546,250	546,250
<b>Total Restricted Cash And Investments</b>	<b>\$ 958,756</b>	<b>\$ 939,473</b>

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

### 3. Investments

RMHC-Denver's investments, at fair value, consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 46,195	\$ 45,823
Certificates of deposit	1,765,572	—
Mutual funds:		
Bond funds	684,508	638,943
Equity funds	1,088,118	972,132
Global funds	154,571	136,069
<b>Total Investments</b>	<b>\$ 3,738,964</b>	<b>\$ 1,656,898</b>

RMHC-Denver's restricted or unrestricted investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Restricted investments	\$ 324,575	\$ 357,257
Unrestricted investments	3,414,389	1,299,641
<b>Total Investments</b>	<b>\$ 3,738,964</b>	<b>\$ 1,656,898</b>

Investment return consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Net unrealized gain on investments	\$ 162,114	\$ 28,399
Net realized gain on sale of investments	12,697	70
Interest and dividend income	79,848	43,752
<b>Total Investment Return</b>	<b>\$ 254,659</b>	<b>\$ 72,221</b>



## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

#### 4. Pledges Receivable

RMHC-Denver's pledges receivable of \$26,960 and \$195,250 consist of pledges of support for general operations in 2017 and 2016, respectively. Management has recorded an allowance for doubtful accounts of \$4,000 and \$5,000 for the year ended December 31, 2017 and 2016, respectively. The pledges receivable are due in less than one year.

#### 5. Other Receivables

RMHC-Denver's Medicaid receivable of \$173,968 consists of billings for stays in 2017. Management has recorded an allowance for doubtful accounts of \$34,746 for the year ended December 31, 2017. The Medicaid receivables are due in less than one year. The other remaining receivable related to canister collections amounted to \$46,728 for 2017. There were no Medicaid receivable amounts recorded in 2016.

#### 6. Temporarily Restricted Net Assets

RMHC-Denver's temporarily restricted net assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 22,960	\$ 190,250
Family Activity Fund	537	4,111
Coca-Cola	70,453	30,506
Scholarships	—	1,349
Aurora land use	130,509	130,587
Global	5,526	—
Sky High Hope Camp	324,575	357,257
EcoMedia	11,415	—
Other	9	199
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 565,984</b>	<b>\$ 714,259</b>

Net assets totaling \$387,701 in 2017 and \$218,553 in 2016 were released from restrictions as a result of RMHC-Denver incurring expenditures satisfying the related restricted purposes.

## **7. Permanently Restricted Net Assets**

RMHC-Denver's permanently restricted net assets consist of two donor-restricted endowment funds established for the operating expenses of RMHC-Denver. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC-Denver follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, issued by the Financial Accounting Standards Board. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

RMHC-Denver 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. As a result of this interpretation, RMHC-Denver classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RMHC-Denver in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, RMHC-Denver considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of RMHC-Denver and the donor-restricted endowment fund
- (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 RMHC-Denver resources
- (7) The investment policies of RMHC-Denver

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

Following are the changes in the endowment net assets for the years ended December 31, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2015	\$ —	\$ 546,250	\$ 546,250
Investment income	910	—	910
Appropriation of endowment assets	(910)	—	(910)
Endowment net assets at December 31, 2016	—	546,250	546,250
Investment income	11,108	—	11,108
Appropriation of endowment assets	(11,108)	—	(11,108)
Endowment net assets at December 31, 2017	\$ —	\$ 546,250	\$ 546,250

### Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHC-Denver to retain as a fund of perpetual duration. At December 31, 2017 and 2016, there was no such deficiency.

### Return Objectives And Risk Parameters

RMHC-Denver has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments in income-producing instruments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves and fit within RMHC-Denver's preference of acceptable principal and interest risk.

### Strategies Employed For Achieving Objectives

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

**Spending Policy And How The Investment Objectives Relate To Spending Policy**

RMHC-Denver has a policy of appropriating for distribution each year a prudent amount for the operating expenses of RMHC-Denver. This policy applies to restricted and unrestricted funds unless those funds have their own distribution requirements. In establishing the distribution policy, RMHC-Denver considers the long-term expected return on its endowment. This is consistent with RMHC-Denver's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In determining the annual distribution to RMHC-Denver for operating expenses, the Board of Directors may make an exception to the distribution policy.

**8. Leases**

In 2006, RMHC-Denver entered into a lease agreement with HealthONE, whereby RMHC-Denver would lease from HealthONE certain land it owned. The initial term of the lease was for a 99-year term that ends in 2105, with an aggregate annual base rent of \$1.00. The fair value of the lease at the time of inception was approximately \$655,000. In connection with this lease agreement, RMHC-Denver discounted the value of the 99-year initial term of the lease and recorded a restricted contribution in 2014. For the years ended December 31, 2017 and 2016, a beneficial use of land of \$130,509 and 130,587, respectively, is recorded. For the years ended December 31, 2017 and 2016, net assets released from restriction and rent expense of \$6,616 and \$6,615, respectively, were recorded. These amounts are included in total rent expense of \$6,616 and \$6,615 in 2017 and 2016, respectively. The discount on the beneficial use of land was amortized by \$6,537 into temporarily restricted contribution revenue during both years ended December 31, 2017 and 2016.

**9. Retirement Plan**

In 2016, RMHC-Denver had a 403(b) defined contribution plan (the Plan) that covered substantially all employees. As of December 31, 2016, the Plan has been terminated. Assets were allowed to remain in the Plan until June 30, 2017. For 2017, the Board of Directors voted to establish a new benefit for employees. All active employees, full and part-time, will receive the benefit equal to 5% of their year to date earnings in the last pay period of the year. RMHC-Denver contributions to the respective Plans totaled \$35,694 in 2017 and \$22,605 in 2016.

## **10. Board-Designated Funds**

On March 26, 2002, RMHC-Denver Board of Directors voted to establish a reserve for maintenance and to fund the designated reserve at the rate of \$1,000 per month plus interest. On August 22, 2017, RMHC-Denver Board of Directors voted to establish a reserve for capital investment and to fund the reserve with \$2,500,000. At December 31, 2017 and 2016, the Board-designated funds totaled \$2,650,312 and \$183,917, respectively. These funds are invested in cash equivalents.

## **11. Fair Value Measurements**

RMHC-Denver reports required types of financial instruments in accordance with fair value accounting standards. 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require RMHC-Denver to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

***Level 1*** - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes mutual funds, listed equities, listed derivatives and money market funds.

***Level 2*** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

**Level 3** - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

No changes in the valuation methods were made during the years ended December 31, 2017 and 2016.

The following table summarizes the valuation of RMHC-Denver's investments on a recurring basis by the above fair value hierarchy levels as of December 31, 2017:

	<u>2017</u>	<u>Level 1</u>
Money market funds	\$ 46,195	\$ 46,195
Mutual funds:		
Bond funds - low-duration institutional funds	684,508	684,508
Equity funds:		
U.S. stock funds	562,241	562,241
International stock funds	384,362	384,362
U.S. targeted value	43,735	43,735
Emerging markets stock funds	97,780	97,780
Global funds	154,571	154,571
Investments subject to levelling	1,973,392	1,927,197
Deposits not subject levelling	1,765,572	—
<b>Total Investments</b>	<b>\$ 3,738,964</b>	<b>\$ 1,927,197</b>

## RONALD MCDONALD HOUSE CHARITIES OF DENVER, INC.

---

### Notes To Financial Statements (Continued)

The following table summarizes the valuation of RMHC-Denver's investments on a recurring basis by the above fair value hierarchy levels as of December 31, 2016:

	<u>2016</u>	<u>Level 1</u>
Money market funds	\$ 45,823	\$ 45,823
Mutual funds:		
Bond funds - low-duration institutional funds	638,943	638,943
Equity funds:		
U.S. stock funds	488,961	488,961
International stock funds	213,959	213,959
U.S. targeted value	87,052	87,052
Emerging markets stock funds	46,091	46,091
Global funds	136,069	136,069
<b>Total Investments</b>	<b>\$ 1,656,898</b>	<b>\$ 1,656,898</b>

## 12. Related Party Transactions

RMHC-Denver remits 25% of the proceeds from certain fundraising events to RMHC Global. During the years ended December 31, 2017 and 2016, total donations to RMHC Global recognized were \$75,136 and \$104,415, respectively. As of December 31, 2016, RMHC-Denver owed RMHC Global \$25,862. These amounts are included in accounts payable.

RMHC Global also makes donations to RMHC-Denver throughout the year. These gifts totaled \$266,397 and \$192,219 for the years ended December 31, 2017 and 2016, respectively.