

**Ronald McDonald House
Charities of Arkoma, Inc.**
Springdale, Arkansas

Financial Statements
December 31, 2018 and 2017

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House
Charities of Arkoma, Inc.
Springdale, Arkansas

We have audited the accompanying financial statements of Ronald McDonald House Charities of Arkoma, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 Ronald McDonald House Charities of Arkoma, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Porterfield & Company CPA, PLLC". The signature is written in a cursive, flowing style.

Porterfield & Company CPA, PLLC

Harrison, Arkansas
September 18, 2019

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 73,821	\$ 99,206
Pledges Receivable	61,080	41,595
Investments	1,352,936	1,707,768
Prepays and Other Current Assets	3,521	1,500
Total Current Assets	1,491,358	1,850,069
Property and Equipment, at Cost		
Equipment and Furniture	280,128	263,373
Family Rooms	1,832,615	1,830,715
Accumulated Depreciation	(518,371)	(386,928)
Net Property and Equipment	1,594,372	1,707,160
Total Assets	\$ 3,085,730	\$ 3,557,229
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 28,954	\$ 31,228
Accrued Payroll and Related Liabilities	7,099	7,847
Other Accrued Liabilities	1,000	5,245
Total Current Liabilities	37,053	44,320
Total Liabilities	37,053	44,320
Net Assets		
Without Donor Restrictions		
Undesignated	2,348,484	2,759,935
Total Without Donor Restrictions	2,348,484	2,759,935
With Donor Restrictions		
Purpose Restrictions	700,193	752,974
Total With Donor Restrictions	700,193	752,974
Total Net Assets	3,048,677	3,512,909
Total Liabilities and Net Assets	\$ 3,085,730	\$ 3,557,229

See notes to financial statements.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Contributions	\$ 336,488	\$ 12,985	\$ 349,473
In-Kind Contributions	292,600	8,602	301,202
Proceeds of Auctions and Fundraising Events, Excluding Contributions	508,813	-	508,813
Interest and Dividend Income	36,944	-	36,944
Realized Gains/(Loss) on Investments	73,399	-	73,399
Unrealized Gains/(Loss) on Investments	(195,195)	-	(195,195)
Net Assets Released from Restrictions: Restrictions Satisfied by Purpose	74,368	(74,368)	-
Total Revenue and Other Support	<u>1,127,417</u>	<u>(52,781)</u>	<u>1,074,636</u>
Expenses			
Program Expenses			
Houses	799,666	-	799,666
CareMobile	72,266	-	72,266
Total Program Expenses	<u>871,932</u>	<u>-</u>	<u>871,932</u>
Supporting Services Expenses			
Management and General	114,047	-	114,047
Fundraising	552,889	-	552,889
Total Supporting Services Expenses	<u>666,936</u>	<u>-</u>	<u>666,936</u>
Total Expenses	<u>1,538,868</u>	<u>-</u>	<u>1,538,868</u>
Increase (Decrease) in Net Assets	(411,451)	(52,781)	(464,232)
Net Assets, Beginning of Year	<u>2,759,935</u>	<u>752,974</u>	<u>3,512,909</u>
Net Assets, End of Year	<u>\$ 2,348,484</u>	<u>\$ 700,193</u>	<u>\$ 3,048,677</u>

See notes to financial statements.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Contributions	\$ 306,628	\$ 5,500	\$ 312,128
Excellence Grant	-	30,000	30,000
In-Kind Contributions	167,454	-	167,454
Proceeds of Auctions and Fundraising			
Events, Excluding Contributions	473,757	-	473,757
Interest and Dividend Income	39,072	-	39,072
Realized Gains/(Loss) on Investments	62,924	-	62,924
Unrealized Gains/(Loss) on Investments	107,014	-	107,014
Net Assets Released from Restrictions:			
Restrictions Satisfied by Purpose	113,054	(113,054)	-
Total Revenue and Other Support	<u>1,269,903</u>	<u>(77,554)</u>	<u>1,192,349</u>
Expenses			
Program Expenses			
Houses	707,641	-	707,641
CareMobile	78,986	-	78,986
Total Program Expenses	<u>786,627</u>	<u>-</u>	<u>786,627</u>
Supporting Services Expenses			
Management and General	104,501	-	104,501
Fundraising	465,936	-	465,936
Total Supporting Services Expenses	<u>570,437</u>	<u>-</u>	<u>570,437</u>
Total Expenses	<u>1,357,064</u>	<u>-</u>	<u>1,357,064</u>
Increase (Decrease) in Net Assets	(87,161)	(77,554)	(164,715)
Net Assets, Beginning of Year	<u>2,847,096</u>	<u>830,528</u>	<u>3,677,624</u>
Net Assets, End of Year	<u>\$ 2,759,935</u>	<u>\$ 752,974</u>	<u>\$ 3,512,909</u>

See notes to financial statements.

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

Functional Expenses	Program Services			Management and General	Fundraising	Total
	Houses	CareMobile	Total			
Advertising and Promotions	\$ 6,818	\$ 3,801	\$ 10,619	\$ 1,536	\$ 24,995	\$ 37,150
Automobile Mileage	6,903	19	6,922	381	5,091	12,394
Bank and Credit Card Fees	-	-	-	1,235	11,661	12,896
Board Expenses	173	-	173	192	173	538
Care Mobile Support	-	67,655	67,655	-	-	67,655
Depreciation	132,845	-	132,845	1,642	-	134,487
Dues and Subscriptions	1,930	-	1,930	1,519	2,926	6,375
Employee Benefits	13,355	-	13,355	867	13,662	27,884
Employee Training and Seminars	7,420	172	7,592	2,813	6,410	16,815
Events	8,122	-	8,122	-	167,911	176,033
Grants and Gifts	2,892	619	3,511	1,418	3,699	8,628
In-Kind Expense	181,194	-	181,194	8,772	102,213	292,179
Insurance	8,785	-	8,785	8,785	8,786	26,356
Investment Management Fees	-	-	-	14,980	-	14,980
Other Expenses	516	-	516	76	343	935
Payroll Taxes	28,248	-	28,248	2,093	9,544	39,885
Postage and Delivery	818	-	818	345	4,340	5,503
Printing and Reproduction	1,477	-	1,477	479	1,838	3,794
Professional Fees	2,557	-	2,557	24,922	839	28,318
Rent	9,203	-	9,203	7,985	7,970	25,158
Repairs and Maintenance	10,425	-	10,425	3,093	4,526	18,044
RMHC Global Affiliate Fee	-	-	-	-	5,426	5,426
Salaries and Wages	367,107	-	367,107	27,205	124,030	518,342
Supplies	1,492	-	1,492	153	821	2,466
Travel	2,197	-	2,197	406	1,759	4,362
True Sense Expense	-	-	-	-	39,137	39,137
Utilities	5,189	-	5,189	3,150	4,789	13,130
Total Functional Expenses	\$ 799,666	\$ 72,266	\$ 871,932	\$ 114,047	\$ 552,889	\$ 1,538,870

See notes to financial statements.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functional Expenses	Program Services			Management and General	Fundraising	Total
	Houses	CareMobile	Total			
Advertising and Promotions	\$ 9,900	\$ 3,000	\$ 12,900	\$ 2,045	\$ 15,015	\$ 29,960
Automobile Mileage	5,023	36	5,059	611	7,684	13,354
Bank and Credit Card Fees	14	-	14	1,091	10,431	11,536
Board Expenses	-	-	-	463	-	463
Care Mobile Support	-	73,961	73,961	-	-	73,961
Depreciation	136,856	-	136,856	1,627	-	138,483
Dues and Subscriptions	2,077	-	2,077	1,604	3,195	6,876
Employee Benefits	7,449	-	7,449	3,391	8,200	19,040
Employee Training and Seminars	9,166	209	9,375	3,742	10,071	23,188
Events	7,596	-	7,596	-	145,891	153,487
Grants and Gifts	2,758	513	3,271	889	2,704	6,864
In-Kind Expense	101,171	-	101,171	-	66,244	167,415
Insurance	7,636	-	7,636	9,609	7,982	25,227
Investment Management Fees	-	-	-	16,199	-	16,199
Other Expenses	917	-	917	555	5,262	6,734
Payroll Taxes	24,269	-	24,269	3,962	7,410	35,641
Postage and Delivery	474	-	474	364	3,372	4,210
Printing and Reproduction	2,601	-	2,601	1,053	8,767	12,421
Professional Fees	4,778	-	4,778	9,286	3,950	18,014
Rent	8,163	1,267	9,430	8,203	7,552	25,185
Repairs and Maintenance	13,556	-	13,556	6,056	7,314	26,926
RMHC Global Affiliate Fee	20,582	-	20,582	-	-	20,582
Salaries and Wages	335,673	-	335,673	30,376	103,035	469,084
Supplies	1,675	-	1,675	394	828	2,897
Travel	411	-	411	377	695	1,483
True Sense Expense	-	-	-	-	36,887	36,887
Utilities	4,896	-	4,896	2,604	3,447	10,947
Total Functional Expenses	\$ 707,641	\$ 78,986	\$ 786,627	\$ 104,501	\$ 465,936	\$ 1,357,064

See notes to financial statements.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Cash Flows from Operating Activities		
Changes in Net Assets	\$ (464,232)	\$ (164,715)
Noncash Items		
Depreciation	134,487	138,483
Unrealized Gain (Loss) on Investments	195,195	(107,014)
Realized Gain (Loss) on Investments	(73,399)	(62,924)
Changes in Assets and Liabilities:		
Pledges Receivable	(19,485)	(1,525)
Prepays and Other Current Assets	(2,021)	-
Accounts Payable	(2,274)	(216,349)
Accrued Payroll and Related Liabilities	(748)	4,232
Other Accrued Liabilities	(4,245)	(47)
Net Cash Provided by Operating Activities	(236,722)	(409,859)
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(18,655)	(27,507)
Purchase of Investments	(562,618)	(428,848)
Proceeds from Sale of Investments	792,610	755,974
Net Cash Provided by Investing Activities	211,337	299,619
Net Increase (Decrease) in Cash and Cash Equivalents	(25,385)	(110,240)
Cash and Cash Equivalents, Beginning of Year	99,206	209,446
Cash and Cash Equivalents, End of Year	\$ 73,821	\$ 99,206

SUPPLEMENTAL DISCLOSURES

Cash Paid for Interest	\$ -	\$ -
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See notes to financial statements.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Arkoma, Inc. (RMHCA or the Organization) was organized on April 2, 1999, as a nonprofit, charitable corporation to maintain and operate one or more facilities in Arkansas and/or Oklahoma to provide temporary housing for seriously ill children and their families while the children are receiving treatment at a nearby hospital, owning, operating or maintaining one or more mobile units, the purpose of which is to create, find and support programs that directly improve the health and well-being of children in and around Arkansas and/or Oklahoma, and making grants to other organizations exempt under section 501(c)(3) for the benefit of children and their families in and around the area. The majority of the organization's revenue is derived from contributions and grants from the general public.

RMHCA is an affiliate of Ronald McDonald House Charities, Inc. (RMHC-Global), an Illinois not for profit corporation, and a licensee of McDonald's Corporation with respect to the use of the name "Ronald McDonald House Charities" and other trademarks, names, and copyrights.

RMHCA maintains and operates two Ronald McDonald Family Rooms. Two of which have four overnight sleep rooms located inside St. Edward Mercy Medical Center, Fort Smith, Arkansas and Mercy Hospital Northwest Arkansas, Rogers, Arkansas. A six bedroom Ronald McDonald House was completed during 2016 at the Washington Regional Medical Center in Fayetteville, Arkansas. In addition, RMHCA provides support to a Ronald McDonald Care Mobile owned by RMHC-Global and operated (in RMHCA's service area) by Arkansas Children's Hospital, providing dental care to children who might not otherwise have access to adequate dental care.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when measurable and available as net current assets. Expenditures are recognized when the related liability is incurred and are allocated between program and administrative expenditures in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash with a maturity date of not more than 90 days.

Contributions, Grants, and Bequests Receivable

Pledges, or promises to give, are recognized at fair market value as revenues in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional pledges are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value.

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged to management and general expense. Subsequent recoveries of amounts previously written off are recognized as revenues. Management believes that all receivable balances were collectible at December 31, 2018 and 2017.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Property and Equipment

Property and equipment are recorded at cost for property and equipment purchased, and if donated, the estimated fair market value at date of donation. Property and equipment is capitalized and depreciated using the straight-line method over the estimated useful lives, which range from 5 to 27.5 years. It is the Organization's policy to capitalize all asset purchases greater than \$500. Maintenance and repairs are charged to expense as incurred; major improvements, which extend or improve the life of an asset, are capitalized.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) 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. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenues

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. The value of items sold for fundraising purposes are revalued based on actual proceeds of the sale as of the date of sale.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$37,150 and \$29,960, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. The Organization believes 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. The Organization's income tax return (Form 990) is subject to examination by the IRS, generally for three years after it is filed.

Use of Estimates

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

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable represent donor promises to pay contributions to the Organization and are measured at net realizable value.

Estimated collections on pledges receivable are as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 30,292	\$ 15,107
One to five years	10,788	6,488
More than five years	<u>20,000</u>	<u>20,000</u>
Total	<u>\$ 61,080</u>	<u>\$ 41,595</u>

The \$20,000 pledge receivable due in more than five years is a donor bequest, and the actual receivable date is unknown.

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 - INVESTMENTS AND INVESTMENT INCOME

The Organization reports certain assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The aggregate carrying amount of investments as of December 31, 2018 and 2017, by major type is presented at fair value based on quoted prices in active markets (all Level 1 measurements) as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and equivalent	\$ 67,751	\$ 67,751	\$ 66,545	\$ 66,545
Fixed Income	500,978	476,909	524,054	507,662
Equities and Equity Funds	699,577	737,031	837,607	1,074,050
Other	77,421	71,245	52,537	59,511
Total	<u>\$ 1,345,727</u>	<u>\$ 1,352,936</u>	<u>\$ 1,480,743</u>	<u>\$ 1,707,768</u>

Management fees for the years ended December 31, 2018 and 2017 totaled \$14,980 and \$16,199, respectively.

A summary of return on investments consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividends and Interest	\$ 36,944	\$ 39,072
Net Realized Gain (Loss)	73,399	62,924
Net Unrealized Gain (Loss)	<u>(195,195)</u>	<u>107,014</u>
Net Investment Return	<u>\$ (84,852)</u>	<u>\$ 209,010</u>

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, with depreciation being taken over the estimated useful life of the assets (5-27.5 years) using the straight-line method. Changes in property and equipment are as follows:

<u>Property and Equipment</u>	<u>Balance 12/31/17</u>	<u>Additions (Provision)</u>	<u>Retirements</u>	<u>Balance 12/31/18</u>
RMHC Family Rm., Mercy - Fort Smith	\$ 374,685	\$ 12,170	\$ (3,044)	\$ 383,811
RMHC Family Rm., Mercy - Rogers	634,097	768	-	634,865
RMHC Family Rm., Wash. Region-Fay.	1,068,868	7,421	-	1,076,289
RMHC Office	16,438	1,340	-	17,778
Total	<u>2,094,088</u>	<u>21,699</u>	<u>(3,044)</u>	<u>2,112,743</u>
Accumulated Depreciation	<u>(386,928)</u>	<u>(134,487)</u>	<u>3,044</u>	<u>(518,371)</u>
Net Property and Equipment	<u>\$ 1,707,160</u>	<u>\$ (112,788)</u>	<u>\$ -</u>	<u>\$ 1,594,372</u>

<u>Property and Equipment</u>	<u>Balance 12/31/16</u>	<u>Additions (Provision)</u>	<u>Retirements</u>	<u>Balance 12/31/17</u>
RMHC Family Rm., Mercy - Fort Smith	\$ 350,769	\$ 23,916	\$ -	\$ 374,685
RMHC Family Rm., Mercy - Rogers	634,097	-	-	634,097
RMHC Family Rm., Wash. Region-Fay.	1,065,277	3,591	-	1,068,868
RMHC Office	16,438	-	-	16,438
Total	<u>2,066,581</u>	<u>27,507</u>	<u>-</u>	<u>2,094,088</u>
Accumulated Depreciation	<u>(248,445)</u>	<u>(138,483)</u>	<u>-</u>	<u>(386,928)</u>
Net Property and Equipment	<u>\$ 1,818,136</u>	<u>\$ (110,976)</u>	<u>\$ -</u>	<u>\$ 1,707,160</u>

Depreciation expense was \$134,487 and \$138,483 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 - LEASES

RMHCA has agreements with St. Edward Mercy Health System, Fort Smith, AR, for approximately 2,400 square feet of space and Mercy Northwest Arkansas, Rogers, AR, for approximately 3,660 square feet of space for Ronald McDonald Family Rooms. The remodeled facilities had a net book value of \$698,323 as of December 31, 2015. The agreements have terms of five years, expiring September, 2016 and January, 2018, respectively, and have automatic one year renewals which may be terminated by either party upon 90 days written notice. The agreements do not provide for rent. The agreement was renewed verbally in the fall of 2016 and has not been written. The respective hospitals are required to provide utilities, security, and housekeeping. RMHC is required to maintain, manage, and staff the facilities, as well as qualify users, and provide certain insurance coverage.

The Organization leases office space from D&H Heathman, LLC under a lease agreement expiring November 30, 2019. Monthly rent charged under the lease was \$1,500 through November 2017, \$1,585 through November 2018, and \$1,600 through November 2019. Rent expense related to these leases was \$19,035 and \$18,170 for the years ended December 31, 2018 and 2017, respectively.

RMHCA opened a Ronald McDonald House Charities House inside Washington Regional Medical Center in 2016. RMHCA has a fifteen year agreement with Washington Regional to provide families of ill children with facilities to live while their children undergo medical treatment. RMHCA provided the buildout for the space, and is responsible for the staffing for the unit. RMHCA is not responsible for the rent, utilities and upkeep of the space, once it is fully operational.

Future minimum annual rental commitments under the non-cancellable operating leases is \$17,600 at December 31, 2018.

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NOTE 6 - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2018</u>	<u>2017</u>
Care Mobile Expenses	\$ 639,113	\$ 711,379
Pledges Receivable	61,080	41,595
Total	<u>\$ 700,193</u>	<u>\$ 752,974</u>

NOTE 7 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated on the actual basis, as well as advertising and promotion, automobile mileage, bank and credit card fees, employee benefits, employee training and seminars, events, dues and subscriptions, grants and gifts, insurance, in-kind expense, other expenses, postage and delivery, printing and reproduction, professional fees, payroll taxes, repairs and maintenance, rent, salaries and wages, supplies, travel, and utilities, which are allocated on the basis of estimates of time and effort.

NOTE 8 - EMPLOYEE BENEFIT PLAN

RMHCA has a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code. The plan is available to all full-time employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. RMHCA is required to make matching contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation. For the years ended December 31, 2018 and 2017, RMHCA has provided for matching contributions of \$6,344 and \$6,450, respectively.

NOTE 9 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2018 and 2017, the Organization received various in-kind contributions of \$301,202 and \$167,454, respectively.

NOTE 10 - COMMITMENTS AND RELATED PARTY TRANSACTIONS

RMHCA is party to a Support Agreement whereby it is committed to contribute to Arkansas Children's Hospital (ACH) 20% of the operating cost of a Care Mobile unit which is licensed to ACH by RMHC-Global. The Care Mobile unit is a mobile dental facility for children and is operated by ACH in RMHCA's service area. The support agreement may be terminated by RMHCA only with the agreement of RMHC-Global. However, the support agreement will also terminate upon the termination of the license agreement between ACH and RMHC-Global. In addition, ACH or RMHC-Global may terminate the license agreement with thirty days written notice. Contributions under this agreement amounting to \$67,655 and \$73,961 have been included in the statement of activities for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 - CONCENTRATIONS AND CREDIT RISK

The Organization maintains its cash accounts in financial institutions in which balances are insured by the FDIC up to \$250,000 per financial institution. At times during the years ended December 31, 2018 and 2017, these balances may exceed the FDIC limit. At December 31, 2018 and 2017, all of the Organization's deposits were insured. The Organization does not believe that there is any significant risk associated with the concentrations of credit.

The Organization operates in Fayetteville, Arkansas. Although the economy is diversified, all future revenues are associated within this geographic area.

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NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2019, the date at which the financial statements were available to be issued.