Ronald McDonald House Charities® of Chicagoland & Northwest Indiana

Financial Report

December 31, 2018

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Ronald McDonald House Charities® of
Chicagoland & Northwest Indiana

We have audited the accompanying financial statements of Ronald McDonald House Charities® of Chicagoland & Northwest Indiana (RMHC-CNI or the "Organization"), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities® of Chicagoland & Northwest Indiana as of December 31, 2018 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Organization adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entitie*s as of January 1, 2018. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

May 15, 2019

Statement of Financial Position

	December 31, 2018
Assets	
Current Assets	
Cash	$ 5,803,363
Investments - Short term	4,248,325
Receivables - Net:	
Contributions receivable	922,899
Other accounts receivable	180,791
Prepaid expenses and other current assets	334,445
Total current assets	11,489,823
Investments	1,822,843
Receivables - Net	
Contributions receivable	278,944
Other accounts receivable	82,133
Other Assets	172,467
Property and Equipment - Net	54,582,191
Total noncurrent assets	56,938,578
Total assets	**$ 68,428,401**
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 1,018,018
Deferred revenue	145,436
Current portion of long-term debt	500,000
Other liabilities	118,339
Total current liabilities	1,781,793
Long-term Debt	1,500,000
Other Liabilities	59,458
Total liabilities	3,341,251
Net Assets	
Without donor restrictions	62,199,630
With donor restrictions	2,887,520
Total net assets	65,087,150
Total liabilities and net assets	**$ 68,428,401**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	$ 3,013,016	$ 3,741,867	$ 6,754,883
In-kind contributions	984,795	-	984,795
Special event revenue:			
Fundraising events	4,920,730	-	4,920,730
Direct fundraising costs	(1,175,278)	-	(1,175,278)
Total special event revenue	3,745,452	-	3,745,452
Other income	964,748	-	964,748
Net assets released from restrictions	2,288,113	(2,288,113)	-
Total revenue and other support	10,996,124	1,453,754	12,449,878
Expenses			
Program services:			
House operations	6,734,590	-	6,734,590
Grants and scholarships	287,106	-	287,106
Total program services	7,021,696	-	7,021,696
Support services:			
Management and general	1,685,289	-	1,685,289
Fundraising	1,060,813	-	1,060,813
Total support services	2,746,102	-	2,746,102
Total expenses	9,767,798	-	9,767,798
Increase in Net Assets - Before investment loss	1,228,326	1,453,754	2,682,080
Investment Loss - Net	(165,485)	(68,641)	(234,126)
Increase in Net Assets	1,062,841	1,385,113	2,447,954
Net Assets - Beginning of year	61,136,789	1,502,407	62,639,196
Net Assets - End of year	**$ 62,199,630**	**$ 2,887,520**	**$ 65,087,150**

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Support Services				
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Direct Fundraising Costs	Total Support Services	Total
Salaries	$ 1,677,844	$ 5,842	$ 1,683,686	$ 713,616	$ 784,270	$ -	$ 1,497,886	$ 3,181,572
Payroll taxes and other related expenses	290,819	663	291,482	116,960	139,433	-	256,393	547,875
Total salaries and related expenses	1,968,663	6,505	1,975,168	830,576	923,703	-	1,754,279	3,729,447
Personnel expenses	65,671	-	65,671	-	61,303	-	61,303	126,974
Occupancy	1,195,594	-	1,195,594	-	113,943	-	113,943	1,309,537
Travel and meetings	9,519	-	9,519	-	34,587	-	34,587	44,106
Business development expenses	121	-	121	-	20,473	-	20,473	20,594
Scholarships	-	137,000	137,000	-	-	-	-	137,000
Grants	-	143,601	143,601	-	-	-	-	143,601
Professional fees	539,128	-	539,128	600	273,946	-	274,546	813,674
Hardware, software, and equipment	21,254	-	21,254	-	95,568	-	95,568	116,822
Marketing expenses	6,701	-	6,701	-	56,331	-	56,331	63,032
General and administrative expenses	459,204	-	459,204	-	69,500	-	69,500	528,704
Fundraising expenses	-	-	-	172,672	-	-	172,672	172,672
Interest expenses	112,187	-	112,187	-	-	-	-	112,187
Income tax expenses	2,777	-	2,777	-	439	-	439	3,216
Depreciation	2,353,771	-	2,353,771	-	35,496	-	35,496	2,389,267
Direct fundraising costs	-	-	-	-	-	1,175,278	1,175,278	1,175,278
Remittances to RMHC Inc.	-	-	-	56,965	-	-	56,965	56,965
	4,765,927	280,601	5,046,528	230,237	761,586	1,175,278	2,167,101	7,213,629
Total functional expenses	**$ 6,734,590**	**$ 287,106**	**$ 7,021,696**	**$ 1,060,813**	**$ 1,685,289**	**$ 1,175,278**	**$ 3,921,380**	**$ 10,943,076**

See notes to financial statements.

Statement of Cash Flows

	Year Ended December 31, 2018
Cash Flows from Operating Activities	
Increase in net assets	$ 2,447,954
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	2,389,267
Bad debt recovery	(7,938)
In-kind contributions	(984,795)
Net realized and unrealized loss on investments	390,953
Amortization of discount on pledges	375
Changes in operating assets and liabilities that provided (used) cash:	
Contributions receivable	970,012
Prepaid expenses and other assets	(78,309)
Accounts payable	350,608
Accrued and other liabilities	75,578
Net cash provided by operating activities	5,553,705
Cash Flows from Investing Activities	
Purchases of property and equipment	(540,312)
Purchases of investments	(2,276,007)
Proceeds from sales and maturities of investments	1,168,930
Net cash used in investing activities	(1,647,389)
Cash Flows Used in Financing Activities - Payments on debt	(1,000,000)
Net Increase in Cash	2,906,316
Cash - Beginning of year	2,897,047
Cash - End of year	**$ 5,803,363**
Supplemental Cash Flow Information - Cash paid for interest	$ 112,187

Note 1 - Nature of Business

Ronald McDonald House Charities® of Chicagoland & Northwest Indiana (RMHC-CNI or the "Organization") is a not-for-profit corporation. The mission of RMHC-CNI is to care for families of children with complex medical needs by providing comfort, compassion, and a sense of community.

RMHC-CNI consists of five houses, including the Ronald McDonald House near Ann & Robert H. Lurie Children’s Hospital of Chicago, the Ronald McDonald House near Loyola University Medical Center, the Ronald McDonald House near University of Chicago Comer Children’s Hospital, the Ronald McDonald House near Advocate Children’s Hospital, and the Ronald McDonald House near Northwestern Medicine Central DuPage Hospital. RMHC-CNI also operates three family rooms in Ann & Robert H. Lurie Children’s Hospital of Chicago, in University of Chicago Comer Children’s Hospital, and in Edward Hospital. In addition to the operation of these five houses and three Ronald McDonald family rooms, RMHC-CNI offers other types of programs, including a Ronald McDonald Care Mobile program and a scholarship.

Note 2 - Significant Accounting Policies

Adoption of New Accounting Pronouncement

During the year ended December 31, 2018, RMHC-CNI adopted the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including net asset classification, liquidity and availability of resources, and details of expenses by natural and functional classification and methods of allocation. All applicable changes to the reporting model have been incorporated into RMHC-CNI's financial statements.

Investments

See Note 11 for the value of investments.

Investment income, gains and losses, and any investment-related expenses are recorded as changes in net assets without donor restrictions in the statement of activities and changes in net assets unless their use is restricted by explicit donor stipulations or law.

RMHC-CNI's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

Property and Equipment

Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred.

Classification of Net Assets

Net assets of RMHC-CNI are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of RMHC-CNI.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RMHC-CNI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 2 - Significant Accounting Policies (Continued)

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Unconditional promises to give cash and other assets to RMHC-CNI are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

RMHC-CNI reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, RMHC-CNI reports the expiration of donor restrictions when the assets are placed in service.

Contributions receivable 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-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Donated Services

RMHC-CNI receives donations of various services. In accordance with generally accepted accounting standards, these services are recorded in the statement of activities and changes in net assets when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time in RMHC-CNI's programs and services. These volunteer services are not recordable under accounting principles generally accepted in the United States of America. The value of the volunteer services is not disclosed, as no objective basis is available to measure the value of such services.

In-kind Contributions

Donated items received by RMHC-CNI are reflected in the financial statements at their estimated fair values.

Scholarships

RMHC-CNI has awarded scholarships to students based on objective measurements and selection criteria. Total scholarships awarded are based on annual budgeted amounts and, through 2017, were matched in part by Global Ronald McDonald House Charities. The decision was made during 2017 to phase out this program. RMHC-CNI will not be awarding any new scholarships and will no longer receive a matching gift from Global Ronald McDonald House Charities. RMHC-CNI will continue to honor existing commitments to current students. We expect these commitments to be fulfilled by 2020. RMHC-CNI awarded scholarships of $137,000 for the year ended December 31, 2018. The total outstanding liability related to this program over the next three years is approximately $131,000.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statements of activities and changes in net assets and functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, costs may be allocated between the program and support functions based on various allocation methods and estimates. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

RMHC-CNI is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). RMHC-CNI reported unrelated business income and paid the related tax, which amounted to $3,216 for the year ended December 31, 2018.

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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments, which potentially subject RMHC-CNI to concentrations of credit risk, consist principally of cash. RMHC-CNI places its cash deposits with high-quality financial institutions; however, deposits may at times exceed FDIC limits. Management monitors cash balances regularly to reduce the concentration of credit risk.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 15, 2019, which is the date the financial statements were available to be issued.

RMHC-CNI incurred significant damage to buildings and business property during the polar vortex at the end of January and beginning of February 2019. Three house locations were impacted: (1) the Ronald McDonald House near Ann & Robert H. Lurie Children's Hospital of Chicago, (2) the Ronald McDonald House near University of Chicago Children's Hospital, and (3) the Ronald McDonald House near Advocate Children's Hospital. The estimated cost of repairs as of May 15, 2019 is $3,600,000. Management expects the majority of the cost to be covered by insurance; however the final amounts of the various claims are pending as of the report date.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for RMHC-CNI's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on RMHC-CNI’s financial statements as a result of the leases for office facilities and land classified as operating leases. The effects on the changes in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

The ASU did not significantly change the accounting requirements for lessors, and, accordingly, application of the new lease standard is not expected to have a significant effect on RMHC-CNI's financial statements related to the recording of rental income.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for RMHC-CNI’s year ending December 31, 2019 and will be applied on a modified prospective basis. RMHC-CNI has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Note 3 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from various donors through fundraising activities and other efforts. Pledge commitments extend through 2027. They are included as follows:

Gross promises to give before unamortized discount and allowance for doubtful accounts	$ 1,247,683
Less unamortized discount, using discount rates of 2.65 to 2.68 percent	(35,556)
Less allowance for doubtful pledges	(10,284)
Net contributions receivable	$ 1,201,843
Amounts due in:	
Less than one year	$ 933,183
One to five years	284,500
More than five years	30,000
Total	$ 1,247,683

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

		Amount	Depreciable Life - Years
Land	$	5,540,121	-
Land improvements		15,575	10-15
Buildings		62,959,384	7-40
Canisters		578,921	2-10
Transportation equipment		35,055	5
Furniture, fixtures, and other equipment		5,428,214	3-5
Leasehold improvements		71,874	5-20
Construction in progress		384,937	-
Total cost		75,014,081	
Accumulated depreciation and amortization		20,431,890	
Net property and equipment	$	54,582,191	

Depreciation expense for 2018 was $2,389,267.

Note 5 - Long-term Debt

RMHC-CNI had a draw note with a maximum draw of $250,000. The interest rate on the draw note was the 30-day LIBOR plus 1.95 percent and reset on the 10th day of each month. The draw note was collateralized by substantially all the assets of RMHC-CNI. The note was terminated on January 10, 2018.

RMHC-CNI has an available revolving note with the same financial institution. RMHC-CNI can draw up to a maximum of $1,000,000. Interest rate on the revolving note is 1.95 percent above the 90-day LIBOR (an effective rate of 4.37 percent at December 31, 2018) and is reset on the 10th day of each month. The revolving note is collateralized by substantially all the assets of RMHC-CNI. There were no amounts drawn on the revolving note as of December 31, 2018. The note expires on July 23, 2019. RMHC-CNI plans to renew upon expiration.

On December 1, 2017, RMHC-CNI entered into a term note for $3,000,000 with a financial institution. Interest rate on the term loan is 1.95 percent above the 30-day LIBOR (an effective rate of 4.35 percent at December 31, 2018). The note is collateralized by mortgage, assignment of rents, assignment of contracts, and an environmental agreement with a maturity date of December 1, 2023. The note allows for prepayment without penalty. The outstanding balance was $2,000,000 as of December 31, 2018.

The balance of the above debt matures as follows:

Years Ending		Amount
2019	$	500,000
2020		500,000
2021		500,000
2022		500,000
Total	$	2,000,000

Interest expense for 2018 was $112,187.

Note 6 - Net Assets

Net assets with donor restrictions as of December 31 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Lurie House	$ 662,693
Hope House	637,869
Other miscellaneous programs	110,127
Total subject to expenditures for a specified purpose	1,410,689
Subject to the passage of time - Contributions receivable	
Without donor restrictions	132,500
With donor restrictions	40,000
Total subject to the passage of time - Contributions receivable:	172,500
Subject to appropriation and expenditures for house operations	171,223
Not subject to appropriation or expenditure (Note 7)	
Ronald McDonald House operation expense endowment	943,617
General support endowment	189,491
Total not subject to appropriation or expenditure	1,133,108
Total donor-restricted net assets	$ 2,887,520

Note 7 - Donor-restricted Endowments

RMHC-CNI's endowment includes donor-restricted endowment funds. These endowments were established to support the ongoing operations of RMHC-CNI. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

RMHC-CNI is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of RMHC-CNI had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, RMHC-CNI considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. RMHC-CNI has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, RMHC-CNI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of RMHC-CNI and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments

Note 7 - Donor-restricted Endowments (Continued)

- Other resources of RMHC-CNI
- The investment policies of RMHC-CNI

	Endowment Net Asset Composition by Type of Fund as of December 31, 2018
	With Donor Restrictions
Donor-restricted endowment funds	$ 1,133,108

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 1,196,310
Investment loss	(63,202)
Endowment net assets - End of year	$ 1,133,108

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 SPMIFA requires RMHC-CNI to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment funds, which together have an original gift value of $1,196,310, a current fair value of $1,133,108, and a deficiency of $63,202 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

RMHC-CNI 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. Endowment assets include those assets of donor-restricted funds that RMHC-CNI must hold in perpetuity. Under this policy, as approved by the board of directors, the investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of aforementioned safety and liquidity objectives. The investment portfolio is subject to periodic review to ensure this objective is met.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC-CNI 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-CNI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

RMHC-CNI has a policy that allows it to appropriate any future interest or investment income generated.

Note 8 - Related Party Transactions

In 2018, RMHC-CNI collected proceeds from certain fundraising events and remitted 25 percent to Global Ronald McDonald House Charities (Global RMHC). In May 2018, Global RMHC began collecting proceeds and remitting 75 percent of the proceeds back to RMHC-CNI. The payments to Global RMHC in 2018 totaled $56,965 for the year ended December 31, 2018. The proceeds received from Global RMHC totaled $335,539 for the year ended December 31, 2018. RMHC-CNI had approximately $161,000 recorded in accounts receivable from Global RMHC and no payables at December 31, 2018.

In 2018, Global RMHC contributed $2,000,000 to RMHC-CNI as a one-time gift to support house expansion.

For the year ended December 31, 2018, RMHC-CNI had revenue and in-kind contributions from members of the board of directors and their respective organizations and Global RMHC totaling approximately $3,450,000.

Note 9 - Operating Leases

RMHC-CNI is obligated under a lease agreement for office facilities expiring on January 31, 2023. Total rent expense under this lease was approximately $103,000 for the year ended December 31, 2018.

Approximate future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2019	$ 104,000
2020	106,000
2021	108,000
2022	111,000
2023	9,000
Total	$ 438,000

RMHC-CNI was granted a 50-year lease on land owned by the United States Veterans Administration and occupied by the Ronald McDonald House near Loyola University Medical Center. The use of land was granted without cost to the Organization. The lease was granted under U.S. Senate Bill No. 677, which was signed into law on October 1, 1993.

The University of Chicago owns the property on which the Ronald McDonald House near University of Chicago Comer Children's Hospital is constructed. RMHC-CNI committed to a 25-year lease agreement in 2005 to lease the property for $1 per year.

The Oak Lawn Community High School District 229 owns the property on which the Ronald McDonald House near Advocate Hope Children's Hospital is constructed. RMHC-CNI committed to a 25-year lease agreement in 2006. The lease terms called for a $200,000 payment upon commencement of the lease, a $100,000 payment in year seven of the lease, and a $25,000 payment in year 20 of the lease. At the conclusion of this 25-year period, the lease contains a renewal clause for an additional 25-year term. RMHC-CNI is recognizing rent expense on a straight-line basis over the term of the lease.

Cadence Health owns the property on which the Ronald McDonald House near Cadence Health - CDH Campus was constructed. RMHC-CNI committed to a 25-year lease agreement in 2013 to lease the property for $1 per year. The lease contains a renewal clause for an additional 25-year term.

Note 10 - Minimum Future Rentals

RMHC-CNI has entered into three lease agreements as a lessor for space in the Ronald McDonald House near Ann & Robert H. Lurie Children's Hospital of Chicago. The lease term for two of the leases is from September 15, 2012 through September 14, 2019. The third lease is from December 1, 2017 through April 3, 2024. The leases also require the tenants to pay operating expenses, which are included in RMHC-CNI's rental income. Total rental income recognized under these leases was approximately $548,000 for the year ended December 31, 2018.

Approximate future minimum future rent on noncancelable leases as of December 31, 2018 for each of the next five years, and in the aggregate, is as follows:

Years Ending December 31	Amount
2019	$ 435,000
2020	139,000
2021	139,000
2022	150,000
2023	154,000
Thereafter	91,000
Total	$ 1,108,000

Note 11 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about RMHC-CNI's assets measured at fair value on a recurring basis at December 31, 2018 and the valuation techniques used by RMHC-CNI to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that RMHC-CNI has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. RMHC-CNI's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 11 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Investments				
Money market funds	$ 315,642	$ -	$ -	$ 315,642
Mutual funds	5,383,738	-	-	5,383,738
Private equity funds	-	-	371,788	371,788
Total investments	$ 5,699,380	$ -	$ 371,788	$ 6,071,168

Note 12 - Liquidity

The following reflects RMHC-CNI's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2018:

Cash	$ 5,803,363
Contributions receivable	1,201,843
Other accounts receivable	262,924
Investments	6,071,168
Financial assets - At year end	13,339,298
Less those assets unavailable for general expenditures within one year due to -	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	1,583,189
Subject to appropriation and satisfaction of donor restrictions	171,223
Long-term investments	1,822,843
Financial assets available to meet cash needs for general expenditures within one year	$ 9,762,043

It is RMHC-CNI's policy to maintain cash balances sufficient to pay current liabilities and obligations. While the operating cash account does not earn interest, average monthly balances earn a monthly earning credit that is used to offset monthly bank fees.

At the finance and audit committee's discretion, operating cash surpluses can be used to pay down debt or transferred into longer term investment accounts. RMHC-CNI maintains several investment accounts, each with a different risk profile and time horizon. These accounts are (1) the operating reserve, (2) the capital reserve, (3) temporarily restricted investments, and (4) endowments or permanently restricted investments. All income from the operating reserve and capital reserve is unrestricted and available to meet current obligations, although RMHC-CNI typically reinvests these balances. Income earned in the endowment accounts is classified as with donor restriction, but can be appropriated by the finance and audit committee. A portion of the temporarily restricted investments mandates reinvestment of 50 percent of the investment earnings. The remaining earnings from this investment account are unrestricted and available to meet current obligations.

The finance and audit committee makes decisions concerning the use, investment strategy, and allocation of RMHC-CNI's financial assets and monitors investment performance in compliance with the board-approved RMHC-CNI investment policy statement.

RMHC-CNI also realizes there could be unanticipated liquidity needs.

Note 12 - Liquidity (Continued)

RMHC-CNI has a committed line of credit in the amount of $1,000,000 at December 31, 2018, which it could draw upon if needed, as further described in Note 5.