

ELLIN & TUCKER

RONALD MCDONALD HOUSE CHARITIES OF BALTIMORE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015



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December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House Charities of Baltimore, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ronald McDonald House Charities of Baltimore, Inc. (a not-for-profit organization) which comprise the Statements of Financial Position as of December 31, 2016 and 2015 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 audits 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 auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

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 Baltimore, Inc. as of December 31, 2016 and 2015, 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.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
August 14, 2017

STATEMENTS OF FINANCIAL POSITION
Ronald McDonald House Charities of Baltimore, Inc.
December 31, 2016 and 2015

ASSETS

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 13,594,882	\$ 9,791,833
Investments (Note 2)	2,395,145	2,284,104
Pledges, Net (Note 3)	6,873,458	7,336,685
Other Receivables (Net of Allowance of \$19,900 in 2016 and 2015)	104,909	95,005
Prepaid Expenses and Other Assets	80,375	18,944
Property and Equipment - Net (Note 4)	<u>4,552,173</u>	<u>3,635,429</u>
 Total Assets	 <u><u>\$ 27,600,942</u></u>	 <u><u>\$ 23,162,000</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	<u>\$ 318,629</u>	<u>\$ 159,665</u>
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NET ASSETS

Unrestricted:

Undesignated	6,347,205	6,664,266
Property and Equipment	4,552,173	3,635,429
Temporarily Restricted (Note 5)	15,901,685	12,221,390
Permanently Restricted (Note 6)	<u>481,250</u>	<u>481,250</u>

Total Net Assets	<u>27,282,313</u>	<u>23,002,335</u>
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Total Liabilities and Net Assets	<u><u>\$ 27,600,942</u></u>	<u><u>\$ 23,162,000</u></u>
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(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF ACTIVITIES
Ronald McDonald House Charities of Baltimore, Inc.
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT								
Contributions	\$ 1,123,767	\$ 73,835	\$ -	\$ 1,197,602	\$ 1,508,510	\$ 21,425	\$ -	\$ 1,529,935
Capital Campaign	-	3,633,492	-	3,633,492	-	4,420,891	-	4,420,891
Special Events (Net of Cost of Direct Benefits to Donors of \$424,940 and \$339,226, Respectively)	999,750	-	-	999,750	991,590	-	-	991,590
Guest Fees	68,122	-	-	68,122	74,077	-	-	74,077
In-Kind Contributions	266,682	-	-	266,682	21,320	-	-	21,320
Interest and Dividends	74,558	20,101	-	94,659	138,895	21,580	-	160,475
Gain (Loss) on Investments (Net of Investment Expenses of \$16,927 and \$33,032, Respectively)	44,868	16,660	-	61,528	(35,066)	(316)	-	(35,382)
Net Assets Released from Restrictions	63,793	(63,793)	-	-	64,482	(64,482)	-	-
Total Revenues, Gains, and Other Support	2,641,540	3,680,295	-	6,321,835	2,763,808	4,399,098	-	7,162,906
EXPENSES								
Program Services	1,355,361	-	-	1,355,361	1,545,636	-	-	1,545,636
Supporting Services:								
Management and General	202,092	-	-	202,092	193,411	-	-	193,411
Fund Raising	423,179	-	-	423,179	381,443	-	-	381,443
Total Supporting Services	625,271	-	-	625,271	574,854	-	-	574,854
Unallocated Payments to RMHC Global	61,225	-	-	61,225	57,319	-	-	57,319
Total Expenses	2,041,857	-	-	2,041,857	2,177,809	-	-	2,177,809
Change in Net Assets	599,683	3,680,295	-	4,279,978	585,999	4,399,098	-	4,985,097
NET ASSETS - BEGINNING OF YEAR	10,299,695	12,221,390	481,250	23,002,335	9,713,696	7,822,292	481,250	18,017,238
NET ASSETS - END OF YEAR	<u>\$ 10,899,378</u>	<u>\$ 15,901,685</u>	<u>\$ 481,250</u>	<u>\$ 27,282,313</u>	<u>\$ 10,299,695</u>	<u>\$ 12,221,390</u>	<u>\$ 481,250</u>	<u>\$ 23,002,335</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Ronald McDonald House Charities of Baltimore, Inc.
For the Year Ended December 31, 2016

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total	
Salaries	\$ 511,726	\$ 88,224	\$ 171,798	\$ 260,022	\$ 771,748
Employee Benefits	28,396	4,896	9,533	14,429	42,825
Payroll Taxes	37,001	6,379	12,422	18,801	55,802
Total Salaries and Related Expenses	577,123	99,499	193,753	293,252	870,375
Bad Debt Expense	1,435	-	-	-	1,435
Bank Charges	-	17,654	-	17,654	17,654
Cleaning Services	65,979	-	-	-	65,979
Conferences and Meetings	7,234	7,234	-	7,234	14,468
Dues and Subscriptions	3,732	-	-	-	3,732
Family	29,520	-	-	-	29,520
House Supplies	63,357	-	-	-	63,357
Insurance	26,006	4,809	-	4,809	30,815
Maintenance and Repairs	46,785	-	-	-	46,785
Operating	56,965	8,386	-	8,386	65,351
Postage and Printing	3,461	-	-	-	3,461
Professional Development	6,823	-	1,752	1,752	8,575
Professional Fees	1,500	60,859	-	60,859	62,359
Special Events	-	-	227,561	227,561	227,561
Telephone	11,221	3,651	-	3,651	14,872
Transportation	35,173	-	-	-	35,173
Utilities	85,517	-	-	-	85,517
Total Expenses before Depreciation	1,021,831	202,092	423,066	625,158	1,646,989
Depreciation of Property and Equipment	333,530	-	113	113	333,643
Total Functional Expenses	\$ 1,355,361	\$ 202,092	\$ 423,179	\$ 625,271	1,980,632
Unallocated Payments to RMHC Global					61,225
Total Expenses					\$ 2,041,857

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Ronald McDonald House Charities of Baltimore, Inc.
For the Year Ended December 31, 2015

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total	
Salaries	\$ 464,561	\$ 87,159	\$ 170,647	\$ 257,806	\$ 722,367
Employee Benefits	30,365	5,697	11,154	16,851	47,216
Payroll Taxes	34,881	6,544	12,812	19,356	54,237
Total Salaries and Related Expenses	529,807	99,400	194,613	294,013	823,820
Bank Charges	-	11,404	-	11,404	11,404
Grants Awarded to Children's Charities	175,450	-	-	-	175,450
Cleaning Services	66,929	-	-	-	66,929
Conferences and Meetings	10,562	10,561	-	10,561	21,123
Dues and Subscriptions	2,758	-	-	-	2,758
Family	34,633	-	-	-	34,633
House Supplies	70,070	-	-	-	70,070
Insurance	29,609	4,251	-	4,251	33,860
Maintenance and Repairs	51,198	-	-	-	51,198
Operating	79,206	4,869	-	4,869	84,075
Postage and Printing	4,550	-	-	-	4,550
Professional Development	5,034	-	-	-	5,034
Professional Fees	-	58,439	-	58,439	58,439
Special Events	-	-	173,568	173,568	173,568
Telephone	13,557	4,487	-	4,487	18,044
Transportation	37,638	-	-	-	37,638
Utilities	103,714	-	-	-	103,714
Total Expenses before Depreciation	1,214,715	193,411	368,181	561,592	1,776,307
Depreciation of Property and Equipment	330,921	-	13,262	13,262	344,183
Total Functional Expenses	\$ 1,545,636	\$ 193,411	\$ 381,443	\$ 574,854	2,120,490
Unallocated Payments to RMHC Global					57,319
Total Expenses					\$ 2,177,809

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF CASH FLOWS
Ronald McDonald House Charities of Baltimore, Inc.
For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Changes in Net Assets	\$ 4,279,978	\$ 4,985,097
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	333,643	344,183
(Gain) Loss on Investments	(61,528)	35,382
Loss on Disposal of Equipment	-	1,937
Net Changes in:		
Pledges and Other Receivables	453,323	(1,224,317)
Prepaid Expenses and Other Assets	(61,431)	28,133
Accounts Payable and Accrued Expenses	158,964	(122,720)
Net Cash Provided by Operating Activities	5,102,949	4,047,695
INVESTING ACTIVITIES		
Purchases of Investments	761,819	(1,439,304)
Sales of Investments	(811,332)	4,200,252
Expenditures for Property and Equipment	(1,250,387)	(1,067,144)
Net Cash (Used in) Provided by Investing Activities	(1,299,900)	1,693,804
Net Change in Cash and Cash Equivalents	3,803,049	5,741,499
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,791,833	4,050,334
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,594,882	\$ 9,791,833

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ACTIVITIES

Ronald McDonald House Charities of Baltimore, Inc. (Organization) is a not-for-profit organization that provides a home away from home for seriously ill children and their families.

ACCOUNTING STANDARDS CODIFICATION

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board. The Codification is the single source of authoritative GAAP in the United States.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, revenue and other support are recorded when earned and expenses are recorded when incurred. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions. Such restrictions expire either by the passage of time or actions of the Organization. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions. Such restrictions neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization’s actions.

REVENUE RECOGNITION

Pledges and contributions are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received and unconditional promises to give are measured at their fair values and reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

(See Independent Auditors’ Report)

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 14, 2017, the date the financial statements were available to be issued.

FUNCTIONAL EXPENSES

Functional expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

DEPRECIATION

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. It is the Organization's policy to capitalize property and equipment greater than \$2,500. Lesser amounts are expensed.

VALUATION OF LONG-LIVED ASSETS

The Organization accounts for the valuation of long-lived assets under the accounting standards Accounting for the Impairment or Disposal of Long-Lived Assets. The accounting standard requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to the future undiscounted net cash flows

(See Independent Auditors' Report)

expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount of fair value, less costs to sell.

DONATED GOODS AND SERVICES

The Organization receives a significant amount of donated services from unpaid volunteers who assist with clerical and resident comfort activities. Donated goods and services with an identifiable value have been recognized in the Statements of Activities.

INCOME TAXES

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold.

INVESTMENTS

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets. See Note 2 for a discussion of fair value measurements.

RISKS AND UNCERTAINTIES

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Financial Position.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

(See Independent Auditors’ Report)

NOTE 2 VALUATION OF INVESTMENTS

Investments at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Mutual Funds	\$ 2,116,174	\$ 1,897,392
Common Stocks	278,971	386,712
Total	\$ 2,395,145	\$ 2,284,104

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(See Independent Auditors' Report)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Below is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2016 and 2015.

Mutual Funds and Common Stocks: Valued at quoted prices in an active market.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016 and 2015:

	2016	2015
	Level 1 and Total	Level 2 and Total
Mutual Funds:		
Emerging Markets	\$ 35,636	\$ 29,826
Fixed Income	684,953	651,947
International	445,189	445,457
Large Cap Growth	193,093	205,827
Large Cap Value	463,744	291,198
Mid Cap Growth	134,506	195,688
Mid Cap Value	92,173	77,449
Small Cap Growth	65,471	-
Small Cap Value	1,409	-
Common Stocks:		
Small Cap Value	83,569	-
Large Cap Core	193,643	386,712
Large Cap Value	1,759	-
	<u>\$ 2,395,145</u>	<u>\$ 2,284,104</u>
Investment Securities, at Fair Value	<u>\$ 2,395,145</u>	<u>\$ 2,284,104</u>

(See Independent Auditors' Report)

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give from donors. Pledges receivable at December 31, 2016 were as follows:

Amounts Due in Less than One Year	\$ 2,745,448
Amounts Due in One to Five Years	4,253,965
Amounts Due in More than Five Years	<u>150,000</u>
 Total Commitment	 7,149,413
 Less: Present Value of Money Discount	 <u>(275,955)</u>
 Pledge Receivables - Net	 <u><u>\$ 6,873,458</u></u>

Pledges which are due in more than one year are reflected at the present value of expected future cash flows using a discount rate of 3%.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
Building and Building Improvements	\$ 6,504,521	\$ 6,248,494
Furniture and Office Equipment	138,265	136,257
Automotive Equipment	71,702	71,702
Playground	199,250	199,250
Pre-Construction Costs for New House	<u>2,405,588</u>	<u>1,413,236</u>
	9,319,326	8,068,939
Less: Accumulated Depreciation	<u>4,767,153</u>	<u>4,433,510</u>
 Total	 <u><u>\$ 4,552,173</u></u>	 <u><u>\$ 3,635,429</u></u>

The Organization has determined it will construct a new house and sell its existing facility in approximately two years. The Organization has accelerated depreciation on the existing facility such that the net book value of the existing facility will approximate fair value at the date of anticipated sale.

(See Independent Auditors' Report)

NOTE 5 **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2016 and 2015 consisted of the following:

	2016	2015
New House Construction	\$ 15,820,711	\$ 12,187,220
Family Expenses	50,000	14,880
Net Appreciation of Endowment Funds	30,974	19,290
Total	\$ 15,901,685	\$ 12,221,390

NOTE 6 **ENDOWMENT FUNDS**

The Organization’s permanent endowment consists of one donor-restricted endowment fund established to provide a source of income for ongoing operating expenses. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Organization has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. 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 the Organization (in a manner consistent with the standard of prudence prescribed by UPMIFA). Earnings and investment gains which exceed the Organization’s Board-approved spending limit of 5% are classified as temporarily restricted until such time as those funds are appropriated. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund
- (2) Purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) Investment policies of the Organization

(See Independent Auditors’ Report)

NOTES TO FINANCIAL STATEMENTS, CONTINUED
Ronald McDonald House Charities of Baltimore, Inc.

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 30,974	\$ 481,250	\$ 512,224

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 19,290	\$ 481,250	\$ 500,540

CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, January 1, 2015	\$ -	\$ 22,461	\$ 481,250	\$ 503,711
Investment Return:				
Investment Income	-	21,580	-	21,580
Net Depreciation (Realized and Unrealized)	-	(316)	-	(316)
Appropriation of Endowment Assets for Expenditure	-	(24,435)	-	(24,435)
Endowment Funds, December 31, 2015	-	19,290	481,250	500,540
Investment Return:				
Investment Income	-	20,101	-	20,101
Net Appreciation (Realized and Unrealized)	-	16,660	-	16,660
Appropriation of Endowment Assets for Expenditure	-	(25,077)	-	(25,077)
Endowment Funds, December 31, 2016	\$ -	\$ 30,974	\$ 481,250	\$ 512,224

(See Independent Auditors' Report)

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016 and 2015.

RETURN OBJECTIVES AND RISK PARAMETERS

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results which exceed the price and yield results of a composite index that is a weighted blend of the indices which reflects the Organization's target asset allocation while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return, before appropriation of expenditures, of approximately 5% in excess of the Consumer Price Index annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organization has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value as of year end for the preceding three years in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at the rate of the Consumer Price Index plus 5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(See Independent Auditors' Report)

NOTE 7 RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan for eligible employees. During 2016 and 2015, the Organization's contribution to the plan was \$16,339 and \$13,795, respectively.

Certain plan expenses are paid by the Organization. In addition, the Organization provides services to the plan at no cost. Total administrative fees paid by the Organization on behalf of the plan totaled \$3,425 and \$3,500 for the years ended December 31, 2016 and 2015, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the License Agreement. During the years ended December 31, 2016 and 2015, the Organization remitted \$61,225 and \$57,319, respectively, to RMHC Global from these revenue streams.

(See Independent Auditors' Report)