

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**RONALD MCDONALD HOUSE CHARITIES  
OF GREATER WASHINGTON, D.C., INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES - 2016</b>	<b>5</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES - 2015</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>8</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ronald McDonald House Charities  
of Greater Washington, D.C., Inc.  
Falls Church, Virginia

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Washington, D.C., Inc. ("RMHC" or the "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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors  
Ronald McDonald House Charities  
of Greater Washington, D.C., Inc.

***Opinion***

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
June 5, 2017

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 623,769	\$ 860,804
Contributions Receivable	293,273	265,092
Accounts Receivable	5,020	13,587
Prepaid Expenses	35,229	4,948
Total Current Assets	957,291	1,144,431
<b>CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>	571,626	788,142
<b>INVESTMENTS</b>	12,530,968	12,534,823
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	1,801,824	1,801,825
Building and Improvements	7,624,661	7,609,538
Furniture and Equipment	912,392	967,436
Website	-	4,000
	10,338,877	10,382,799
Less: Accumulated Depreciation and Amortization	2,464,090	2,315,851
Total Property and Equipment	7,874,787	8,066,948
<b>TOTAL ASSETS</b>	<b>\$ 21,934,672</b>	<b>\$ 22,534,344</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 219,622	\$ 205,009
<b>NET ASSETS</b>		
Unrestricted		
Board Designated	7,874,787	8,066,948
Undesignated	11,049,896	11,590,719
Total Unrestricted	18,924,683	19,657,667
Temporarily Restricted	1,449,866	2,181,168
Permanently Restricted	1,340,501	490,500
Total Net Assets	21,715,050	22,329,335
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,934,672</b>	<b>\$ 22,534,344</b>

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently
		Restricted	Restricted		Restricted	Restricted
						Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions and Fundraising Events	\$ 727,745	\$ 158,792	\$ -	\$ 1,038,197	\$ 1,163,142	\$ 2,201,339
Donations - Room Occupants	33,238	-	-	43,677	-	43,677
Other Donations	759,228	-	-	612,661	-	612,661
Donated Materials	130,473	-	-	78,321	-	78,321
Special Events, Less Direct Expense of \$51,330 and \$26,086, Respectively	38,758	-	-	56,084	-	56,084
Realized Gains on Sale of Investments	181,230	-	-	369,514	-	369,514
Unrealized (Loss) Gain on Investments	364,528	23,628	-	(658,247)	161,304	(496,943)
Interest and Dividends	215,729	23,496	-	288,224	23,496	311,720
Other	32,767	-	-	37,296	-	37,296
Reclass of Restrictions	-	(850,001)	850,001	-	-	-
Net Assets Released from Restrictions	87,217	(87,217)	-	429,974	(429,974)	-
Total Public Support and Revenue	2,570,913	(731,302)	850,001	2,295,701	917,968	3,213,669
<b>EXPENSES</b>						
Program Services						
Ronald McDonald House	2,279,178	-	-	2,166,961	-	2,166,961
Grants and Scholarships	341,114	-	-	506,954	-	506,954
Total Program Services	2,620,292	-	-	2,673,915	-	2,673,915
Support Services						
Management and General	382,148	-	-	331,751	-	331,751
Fundraising	301,457	-	-	269,158	-	269,158
Total Supporting Services	683,605	-	-	600,909	-	600,909
Total Expenses	3,303,897	-	-	3,274,824	-	3,274,824
<b>CHANGE IN NET ASSETS</b>	(732,984)	(731,302)	850,001	(979,123)	917,968	(61,155)
<b>NET ASSETS, BEGINNING OF YEAR</b>	19,657,667	2,181,168	490,500	20,636,790	1,263,200	22,390,490
<b>NET ASSETS, END OF YEAR</b>	\$ 18,924,683	\$ 1,449,866	\$ 1,340,501	\$ 19,657,667	\$ 2,181,168	\$ 22,329,335

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016**

	Program Services			Supporting Services			Total Expenses
	Houses	Grants	Total	Management and General	Fundraising	Total	
Employee Costs	\$ 1,094,992	\$ 16,749	\$ 1,111,741	\$ 291,478	\$ 125,562	\$ 417,040	\$ 1,528,781
Grants and Family Assistance	-	319,914	319,914	-	-	-	319,914
Depreciation and Amortization	239,439	1,028	240,467	2,620	1,763	4,383	244,850
Professional Fees	232,998	1,326	234,324	79,328	2,912	82,240	316,564
Counterbox Expenses	-	-	-	-	102,236	102,236	102,236
Insurance	61,262	358	61,620	1,489	786	2,275	63,895
Supplies	124,842	729	125,571	3,034	1,602	4,636	130,207
Repairs and Maintenance	88,651	518	89,169	2,154	1,137	3,291	92,460
Printing, Mailing, and Postage	8,550	50	8,600	208	110	318	8,918
Utilities	75,592	442	76,034	1,837	970	2,807	78,841
Telephone	12,122	-	12,122	-	-	-	12,122
Travel and Meetings	17,954	-	17,954	-	-	-	17,954
Other	23,296	-	23,296	-	-	-	23,296
Other Outside Services	284,067	-	284,067	-	58,109	58,109	342,176
Family Transportation	1,196	-	1,196	-	-	-	1,196
Marketing and PR	967	-	967	-	6,270	6,270	7,237
Occupancy	13,250	-	13,250	-	-	-	13,250
<b>Total</b>	<b>\$ 2,279,178</b>	<b>\$ 341,114</b>	<b>\$ 2,620,292</b>	<b>\$ 382,148</b>	<b>\$ 301,457</b>	<b>\$ 683,605</b>	<b>\$ 3,303,897</b>

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015**

	Program Services			Management and General		Supporting Services		Total Expenses
	Houses	Grants	Total	and General	Fundraising	Total		
Employee Costs	\$ 1,009,879	\$ 13,909	\$ 1,023,788	\$ 242,057	\$ 104,272	\$ 346,329	\$ 1,370,117	
Grants and Family Assistance	150,520	489,673	640,193	-	-	-	640,193	
Depreciation and Amortization	292,597	1,257	293,854	3,202	2,154	5,356	299,210	
Professional Fees	108,910	630	109,540	78,217	2,383	80,600	190,140	
Counterbox Expenses	-	-	-	-	104,414	104,414	104,414	
Insurance	58,221	340	58,561	1,415	747	2,162	60,723	
Supplies	45,565	272	45,837	1,131	597	1,728	47,565	
Repairs and Maintenance	76,392	446	76,838	1,856	980	2,836	79,674	
Printing, Mailing, and Postage	13,263	77	13,340	322	170	492	13,832	
Utilities	59,918	350	60,268	1,456	769	2,225	62,493	
Telephone	25,784	-	25,784	-	-	-	25,784	
Travel and Meetings	17,328	-	17,328	2,095	-	2,095	19,423	
Other	38,425	-	38,425	-	943	943	39,368	
Other Outside Services	268,933	-	268,933	-	51,729	51,729	320,662	
Family Transportation	1,226	-	1,226	-	-	-	1,226	
<b>Total</b>	<b>\$ 2,166,961</b>	<b>\$ 506,954</b>	<b>\$ 2,673,915</b>	<b>\$ 331,751</b>	<b>\$ 269,158</b>	<b>\$ 600,909</b>	<b>\$ 3,274,824</b>	

See accompanying Notes to the Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (614,285)	\$ (61,155)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	244,850	299,210
Donated Property and Equipment	(22,922)	(36,885)
Realized Gains on Sale of Investments	(181,230)	(369,514)
Unrealized (Gain) Loss on Investments	(388,156)	496,943
Gain on Sale of Property and Equipment	-	(16,186)
Effects of Changes in Operating Assets and Liabilities:		
Pledges and Contributions Receivable	188,335	(985,110)
Accounts Receivable	8,567	(13,587)
Prepaid Expenses	(30,281)	1,433
Accounts Payable and Accrued Expenses	14,613	85,847
Net Cash Used in Operating Activities	<u>(780,509)</u>	<u>(599,004)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(29,767)	(122,044)
Proceeds from Sale of Property and Equipment	-	21,500
Purchase of Investments	(4,370,907)	(2,664,081)
Proceeds from Sale of Investments	4,944,148	2,928,872
Net Cash Provided by Investing Activities	<u>543,474</u>	<u>164,247</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (237,035)	 (434,757)
 <b>Cash and Cash Equivalents, Beginning of Year</b>	 <u>860,804</u>	 <u>1,295,561</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u>\$ 623,769</u>	 <u>\$ 860,804</u>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
Donated Property and Equipment	<u>\$ 22,922</u>	<u>\$ 36,885</u>

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Greater Washington, D.C., Inc. ("RMHC" or the "Organization") is a nonprofit 501(c)(3) organization whose purpose is to help relieve the burden of childhood illness on families through programs that directly improve the health and wellbeing of children.

RMHC owns and operates, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), two Ronald McDonald Houses, located in Washington, D.C. and Northern Virginia. It also maintains two Ronald McDonald Family Rooms, located within Children's National Medical Center and Inova Children's Hospital, and supports two Ronald McDonald Care Mobiles in partnership with MedStar Georgetown University Hospital Kids Mobile Medical Clinic Program.

**Basis of Accounting**

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

**Income Taxes**

The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue code. The Internal Revenue Service determined that the Organization is not a private foundation.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Financial Risk**

The Organization maintains its cash in bank accounts which at times exceed FDIC federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant financial risk on cash.

**Cash and Cash Equivalents**

For financial statement purposes, the Organization considers money market funds and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**Contributions Receivable**

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Receivables are written off when all collection efforts are exhausted. All receivables are deemed collectible by management at December 31, 2016 and 2015.

**Investments**

Investments are recorded at fair value.

**Fair Value Measurements**

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs 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 reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**Property and Equipment**

Purchases of furniture and equipment greater than \$1,000 are capitalized at cost. Donated assets are recorded at their estimated market value on the date of donation. Property and equipment are depreciated over estimated useful lives of five to forty-five years on a straight-line basis.

The land on which the Northern Virginia Ronald McDonald House is located is leased from Inova Fairfax Hospital Systems, Inc. The lease is at the rate of \$1 per year expiring in October 2026. The fair value of this land lease is deemed immaterial to the overall financial statements and, thus, no amount is recorded in the financial statements.

**Net Assets**

The Organization's resources are classified for accounting and reporting purposes into net asset groups based on the existence or absence of donor or time imposed restrictions. The net asset groups are as follows:

Unrestricted - represents resources available for support of the operations of the Organization. The Board has designated funds for property and equipment and capital improvements.

Temporarily Restricted - represents resources received by the Organization from contributors or grantors that are purpose and/or time restricted by the donors.

Permanently Restricted - represents resources received by the Organization from contributors or grantors that are to be held in perpetuity. The investment earnings on the permanently restricted net assets are reflected in the statements of activities as components of temporarily restricted net assets and released from restrictions as funds are expended for the restricted purposes.

**Contributions**

Revenues from contributions are considered to be available for unrestricted use and are recognized as revenue when an unconditional pledge is received or when cash is received if no pledge exists. Contributions that are restricted for use in a later time period or purpose restricted are recognized as temporarily restricted net assets. Temporarily restricted net assets become unrestricted when the time restrictions expire or when the purpose restrictions are met. Contributions that are restricted that are released in the same year are presented as unrestricted.

Contributions of donated goods are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received and also recorded as an expense. However, no value is recorded for the services of unpaid volunteers who have made significant contributions of their time in all areas of operations.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**Functional Allocation of Expenses**

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

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 5, 2017, the date the financial statements were available to be issued.

**Uniform Prudent Management of Institutional Funds Act**

Under the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA), all unappropriated endowment fund assets are considered restricted.

**NOTE 2 FINANCIAL RISK**

**Credit Risk**

Financial instruments which subject the Organization to a concentration of credit risk consist of demand deposits placed with financial institutions. At times during the year the Organization had funds invested with local financial institutions in excess of the Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses on such deposits.

**Market Risk**

RMHC invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

As of December 31, 2016 and 2015, contributions receivable consist of the following:

	2016	2015
Contributions Receivable	\$ 918,273	\$ 1,140,092
Less Discount	(53,374)	(86,858)
Total Net Contributions Receivable	<u>\$ 864,899</u>	<u>\$ 1,053,234</u>
Due within One Year	\$ 293,273	\$ 265,092
Due One to Five Years	571,626	788,142
	<u>\$ 864,899</u>	<u>\$ 1,053,234</u>

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 4 INVESTMENTS**

Investments consist of the following as of December 31, 2016 and 2015:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash Equivalents	\$ 341,009	\$ 341,009	\$ 205,318	\$ 205,318
Equities	8,754,572	6,625,715	9,300,511	7,560,188
Corporate Bonds	3,435,387	3,452,422	3,028,994	3,063,473
Total Investments	<u>\$ 12,530,968</u>	<u>\$ 10,419,146</u>	<u>\$ 12,534,823</u>	<u>\$ 10,828,979</u>

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015.

	2016			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ 341,009	\$ -	\$ -	\$ 341,009
Equities	8,754,572	-	-	8,754,572
Corporate Bonds	-	3,435,387	-	3,435,387
Total	<u>\$ 9,095,581</u>	<u>\$ 3,435,387</u>	<u>\$ -</u>	<u>\$ 12,530,968</u>

  

	2015			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ 205,318	\$ -	\$ -	\$ 205,318
Equities	9,300,511	-	-	9,300,511
Corporate Bonds	-	3,028,994	-	3,028,994
Total	<u>\$ 9,505,829</u>	<u>\$ 3,028,994</u>	<u>\$ -</u>	<u>\$ 12,534,823</u>

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of December 31, 2016 and 2015:

	2016	2015
DC House - Playground	\$ 7,750	\$ 7,750
Caremobile Medical Unit	18,771	850,001
Time	1,240,212	1,163,142
House Operations	183,133	160,275
	<u>\$ 1,449,866</u>	<u>\$ 2,181,168</u>

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Temporarily restricted net assets were released from restrictions for the following purposes for the years ended December 31:

	2016	2015
Caremobile Medical Unit	\$ -	\$ 399,999
House Operations	192	5,450
Excellence Grant	62,500	-
Endowment Fund	24,525	24,525
	\$ 87,217	\$ 429,974

During 2016, the Co-Op contributors authorized the use of the Caremobile Medical Unit funds of \$850,001 to be invested to create a permanent endowment to where earnings of the endowment would be used to fund operations of current and future Caremobiles. Accordingly, these funds were reclassified from temporarily restricted to permanently restricted net assets.

**NOTE 6 ENDOWMENTS**

In March 1993, RMHC received a donation of shares of common stock of the McDonald's Corporation from Mrs. Ray Kroc. This gift was valued at \$490,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses. Investment income related to the gift is recorded as increases/decreases in temporarily restricted net assets.

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

The Organization's endowment investment policy is focused on preservation of capital and all amounts are invested in donated common stock of the McDonald's Corporation.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 6 ENDOWMENTS (CONTINUED)**

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

- The duration and preservation of the fund
- The purposes of the Organization 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
- Other resources of the Organization
- The investment policy of the Organization

**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 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 the Organization must hold in perpetuity. Under this policy approved by the Board of Directors the endowment assets are invested in a manner with long term orientation and without undue exposure to risk.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Spending rate policy will be five percent (5%). Over the long term, the Organization expects to allow its endowment to grow annually, consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through new contributions and investment returns.

**Strategies Employed for Achieving Objectives**

To satisfy its long term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends) by holding on to the original donated investments.

The endowment net assets and activity for 2016 and 2015 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2015	\$ (61,615)	\$ -	\$ 490,500	\$ 428,885
Investment Gain	-	184,800	-	184,800
Appropriations	-	(24,525)	-	(24,525)
Transfer to Unrestricted Net Assets	61,615	(61,615)	-	-
Endowment Net Assets, December 31, 2015	-	98,660	490,500	589,160
Contributions	-	850,001	-	850,001
Investment Gain	-	47,124	-	47,124
Appropriations	-	(24,525)	-	(24,525)
Transfer from Temporarily to Permanently Restricted	-	(850,001)	850,001	-
Endowment Net Assets, December 31, 2016	<u>\$ -</u>	<u>\$ 121,259</u>	<u>\$ 1,340,501</u>	<u>\$ 1,461,760</u>



**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 6 ENDOWMENTS (CONTINUED)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets. The deficiencies at December 31, 2016 and 2015, were \$-0- and \$61,615, respectively.

**NOTE 7 IN-KIND DONATIONS**

At December 31, 2016 and 2015, donated materials include donations of property and equipment of \$22,922 and \$36,885, respectively. Other donated in-kind items received were services, utilities and supplies which benefitted program and fundraising totaling \$107,551 and \$41,436 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 8 RONALD MCDONALD HOUSE CHARITIES LICENSE**

The RMHC holds a license from McDonald's Corporation and Ronald McDonald House Charities, Inc. (global) to operate in the community. The license agreement requires the Organization to remit twenty-five percent (25%) of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities, Inc. on a quarterly basis. In some cases, the fundraising amounts are collected by the global organization and the net amount is remitted to RMHC. In other cases the Organization receives the gross proceeds and remits 25 percent to the global organization. RMHC remitted \$132,926 and \$138,547 from canister collections to the global organization in 2016 and 2015, respectively. These amounts are recorded against contribution income on the statements of activities. Amounts owed to the global organization, but not yet paid as of December 31, 2016 and 2015 of \$33,958 and \$32,427, respectfully are recorded as accrued expenses on the statements of financial position.

Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

**NOTE 9 PENSION PLAN**

The Organization has a 401(k) tax-sheltered annuity retirement plan. The plan is a defined contribution plan under which all employees can make voluntary contributions up to the IRS maximum. There is also a provision for discretionary contributions by the employer for the benefit of those employees who work at least 1,000 hours per year and have completed 1 year of service. All participants are fully vested in all contributions made. For 2016 and 2015, the Organization matched eligible employee contributions up to 5 percent of each employee's compensation, resulting in pension expense of \$40,338 and \$43,285, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF  
GREATER WASHINGTON, D.C., INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 10 ALLOCATION OF JOINT COST**

The Organization incurs joint costs for informational materials and activities that included fundraising appeals. The following is a summary of the allocation of these joint costs for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Program Services	\$ 140,765	\$ 137,803
Fundraising	58,109	51,657
	<u>\$ 198,874</u>	<u>\$ 189,460</u>