

**RONALD MCDONALD HOUSE
CHARITIES OF ARKOMA, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015**



RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.
DECEMBER 31, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House Charities of Arkoma, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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 of 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Arkoma, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report On Prior Year Financial Statements

We have previously audited the 2014 financial statements of Ronald McDonald House Charities of Arkoma, Inc. and our report dated June 2, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 27, 2016

FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31,	2015	2014
Assets		
Cash and cash equivalents	\$ 211,495	\$ 796,310
Pledges receivable	36,800	48,634
Investments	1,747,717	1,309,245
Security deposit	1,500	-
Equipment and furniture	170,333	157,887
Family rooms	829,963	824,013
Construction in progress	19,250	-
Accumulated depreciation	(186,481)	(130,835)
Total Assets	\$ 2,830,577	\$ 3,005,254
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 31,065	\$ 28,505
Accrued payroll and related liabilities	16,370	9,550
Other accrued liabilities	4,720	8,120
Total Liabilities	52,155	46,175
Net Assets		
Temporarily restricted	868,473	917,542
Unrestricted	1,909,949	2,041,537
Total Net Assets	2,778,422	2,959,079
Total Liabilities and Net Assets	\$ 2,830,577	\$ 3,005,254

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
Revenues and Other Support				
Contributions	\$ 305,351	\$ 45,000	\$ 350,351	\$ 344,977
In-kind contributions	79,170	-	79,170	64,093
Proceeds of auctions and fundraising events, excluding contributions	360,237	-	360,237	340,912
Interest and dividend income	40,304	-	40,304	33,028
Realized gains on investments	(1,146)	-	(1,146)	15,384
Unrealized gains on investments	(84,576)	-	(84,576)	31,355
Gain/(loss) on asset disposal	-	-	-	(17,831)
Net assets released from restrictions	94,069	(94,069)	-	-
Total Revenues and Other Support	793,409	(49,069)	744,340	811,918
Expenses				
Program Services	626,973	-	626,973	499,511
Management and General	68,076	-	68,076	55,828
Fundraising	229,948	-	229,948	196,350
Total Expenses	924,997	-	924,997	751,689
Change in Net Assets	(131,588)	(49,069)	(180,657)	60,229
Net Assets, Beginning of Year	2,041,537	917,542	2,959,079	2,898,850
Net Assets, End of Year	\$ 1,909,949	\$ 868,473	\$ 2,778,422	\$ 2,959,079

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Program Services	Management & General	Fund- raising	Total 2015	Total 2014
Expenses					
Advertising and promotions	\$ 21,434	\$ -	\$ 2,382	\$ 23,816	\$ 17,100
Automobile mileage	5,464	546	4,918	10,928	10,149
Bank and credit card fees	630	630	5,744	7,004	4,791
Board expenses	825	580	122	1,527	2,134
Care mobile support	68,376	-	-	68,376	65,238
Employee benefits	6,187	1,904	1,427	9,518	8,701
Employee training and seminars	5,735	3,785	1,949	11,469	4,806
Events	-	-	108,368	108,368	82,458
Depreciation	53,977	1,669	-	55,646	52,873
Dues & subscriptions	1,389	386	5,942	7,717	7,311
Grants & gifts	35,214	-	-	35,214	17,412
Insurance	6,538	2,615	1,744	10,897	14,473
In-kind expense	70,782	-	-	70,782	64,093
Investment management fees	-	16,109	-	16,109	12,355
Other expenses	528	53	4,697	5,278	11,487
Postage and delivery	1,248	113	1,475	2,836	2,471
Printing and reproduction	1,752	602	3,120	5,474	8,143
Professional fees	1,839	6,304	612	8,755	9,471
Payroll Taxes	26,014	2,001	5,336	33,351	27,895
Repairs and maintenance	16,820	904	362	18,086	1,628
Rent	10,573	4,699	4,307	19,579	19,683
RMHC global affiliate fee	-	-	18,841	18,841	25,976
Salaries and wages	250,903	23,110	56,123	330,136	234,027
Security	307	83	131	521	541
Supplies	1,490	532	107	2,129	3,911
Travel	782	351	463	1,596	1,266
True sense expense	32,579	-	-	32,579	34,850
Utilities	5,587	1,100	1,778	8,465	6,446
Total Expenses	\$ 626,973	\$ 68,076	\$ 229,948	\$ 924,997	\$ 751,689

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (180,657)	\$ 60,229
Noncash items:		
Depreciation	55,646	52,873
Unrealized gain on investments	84,576	(31,355)
Realized gains on investments	1,146	(15,384)
Loss on disposal of asset	-	17,831
Changes in:		
(Increase) decrease in pledges receivable	11,834	(12,905)
(Increase) decrease in security deposits	(1,500)	-
Increase (decrease) in accounts payable	2,560	(1,417)
Increase (decrease) in accrued payroll and related liabilities	6,820	(5,928)
Increase (decrease) in other accrued expenses	(3,400)	4,042
Net Cash Provided (Used) By Operating Activities	(22,975)	67,986
Cash Flows From Investing Activities		
Acquisition of fixed assets	(37,646)	(7,323)
Purchase of investments	(1,159,562)	(188,519)
Proceeds from sale of investments	635,368	167,902
Net Cash Used By Investing Activities	(561,840)	(27,940)
Net Increase (Decrease) In Cash and Cash Equivalents	(584,815)	40,046
Cash and Cash Equivalents, Beginning of Year	796,310	756,264
Cash and Cash Equivalents, End of Year	\$ 211,495	\$ 796,310

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Summary of Significant Accounting Policies

a. Financial Statement Presentation

The Organization follows FASB ASC 958, Financial Statements of Not-For-Profit Organizations. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets represent net assets resulting from contributions where use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Temporarily restricted net assets represent net assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions. All other net assets are considered to be unrestricted.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on the disposition of assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or laws. Expenses are generally reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time conditions expire, or a donor imposed restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported as net assets released from restrictions.

b. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting accordance with generally accepted accounting principles. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

c. Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

d. Advertising and Promotions

The Organization follows the policy of charging advertising and promotions to expense as incurred.

e. Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, personnel and overhead costs have been allocated among the programs and supporting activities benefited based upon management's best estimate of time incurred by personnel.

f. Fair Value Measurement

The Organization follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value as 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.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (continued)

SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 - Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

g. Donated Assets

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

h. Donated Services

Donated services are reported when the services create or enhance nonfinancial assets or would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. The value of nonspecialized volunteer services is calculated and reported for grant matching purposes only.

i. Fixed Assets and Depreciation

Purchased assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation is computed using the straight line method over the asset's estimated useful life, less salvage value, as follows:

	Years
Equipment and furniture	5-7
Family Rooms	27.5

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (continued)

It is the Organization's policy to capitalize all asset purchases greater than \$500 while expensing all asset purchases less than \$500.

j. Prior-year Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year-ended December 31, 2014 from which the summarized information was derived.

k. Use of Estimates

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

2. Cash Deposits

At December 31, 2015, the Organization had deposits in two area banks all of which was FDIC insured. Cash balances may exceed FDIC limits from time to time, however management does not believe that there is any significant risk associated with the concentrations of credit.

3. Federal Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

4. Property and Equipment

Activity of capital assets consists of the following:

As Of	January 1, 2015	Additions	Retirements	December 31, 2015
Equipment and furniture	\$ 157,887	\$ 12,446	\$ -	\$ 170,333
Family Rooms	824,013	5,950	-	829,963
Construction in progress	-	19,250	-	19,250
Total	\$ 981,900	\$ 37,646	\$ -	\$ 1,019,546

As Of	January 1, 2014	Additions	Retirements	December 31, 2014
Equipment and furniture	\$ 150,564	\$ 7,323	\$ -	\$ 157,887
Family Rooms	824,013	-	-	824,013
Leasehold Improvements	19,746	-	19,746	-
Total	\$ 994,323	\$ 7,323	\$ 19,746	\$ 981,900

Construction in progress at December 31, 2015 is for a Ronald McDonald House at the Washington Regional Medical Center in Fayetteville, Arkansas. The total estimated cost of the project is \$1,000,000 and it is estimated to be in service by December 2016. The Organization commenced a fundraising campaign in 2016 to raise funds for the project.

5. Restrictions on Net Assets

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes during the year ended December 31, 2015 were Ronald McDonald Care Mobile expenses in the amount of \$68,376 and Grant of Excellence expenses in the amount of \$25,693.

Temporarily restricted net assets were for the following:

As of December 31, 2015	2015	2014
Care Mobile expenses	\$ 849,166	\$ 917,542
Centers of Excellence grant - fixed assets, supplies and repairs	19,307	-
Total	\$ 868,473	\$ 917,542

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

6. Investments

Investments are held for an indefinite period, classified as available-for-sale and recorded at fair market value. Any increase or decrease in value from year to year is treated as a net unrealized gain or loss and recorded as an unrealized gain or loss from investments in the statement of activities. The Organization's investments at December 31, 2015, consist of the following:

As of December 31, 2015	Cost	Market
Arvest Account		
Cash and equivalents	\$ 109,725	\$ 109,725
Fixed income	576,593	552,971
Equities and equity funds	932,348	1,035,030
Other	44,766	49,991
Total	\$ 1,663,432	\$ 1,747,717

Fair Value Disclosures

The following table represents the Organization's investments that are measured at fair value on a recurring basis at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Arvest account	\$ 1,747,717	\$ -	\$ -	\$ 1,747,717
Total	\$ 1,747,717	\$ -	\$ -	\$ 1,747,717

Management fees for year ended December 31, 2015 totaled \$16,109.

7. Leases

RMHCA has agreements with St. Edward Mercy Health System, Fort Smith, AR, for approximately 2,400 square feet of space and Mercy Northwest Arkansas, Rogers, AR, for approximately 3,660 square feet of space for Ronald McDonald Family Rooms. The remodeled facilities had a net book value of \$729,137 as of December 31, 2015. The agreements have terms of five years, expiring September, 2016 and January, 2018, respectively, and have automatic one year renewals, and may be terminated by either party upon 90 days written notice. The agreements do not provide for rent. The respective hospitals are required to provide utilities, security, and housekeeping. RHMCA is required to maintain, manage, and staff the facilities, as well as qualify users, and provide certain insurance coverage.

RMHCA moved to a new office in Springdale, Arkansas in October 2015. The Organization leases the space from D&H Heathman, LLC under a three year term expiring October 31, 2018. Monthly rent charged under the lease is \$1,500 for the first two years increasing to \$1,583 the third year. Prior to the move, the Organization rented space from Mathews Investments, LLC, a related party for \$1,333 per month. Rent expense related to these leases and included in the Statement of Functional Expenses is \$19,579 for the year ended December 31, 2015.

RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

8. Employee Benefit Plan

RMHCA has a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code. The plan is available to all full-time employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. RMHCA is required to make matching contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation. For the year ended December 31, 2015, RMHCA has provided for matching contributions of \$7,837.

9. Commitments and Related Party Transactions

Under the terms of its license agreement with McDonalds Corporation, RMHCA is required to remit 25% of receipts from RMHC-Global Fundraising Contributions and U.S. National Fundraisers, as defined in the license agreement, to RMHC-Global. These payments and accruals totaled \$18,841 for the year ended December 31, 2015.

RMHCA is party to a Support Agreement whereby it is committed to contribute to Arkansas Children's Hospital (ACH) 20% of the operating cost of a Care Mobile unit which is licensed to ACH by RMHC-Global. The Care Mobile unit is a mobile dental facility for children and is operated by ACH in RMHCA's service area. The support agreement may be terminated by RMHCA only with the agreement of RMHC-Global. However, the support agreement will also terminate upon the termination of the license agreement between ACH and RMHC-Global. In addition, ACH or RMHC-Global may terminate the license agreement with thirty days written notice. Contributions under this agreement amounting to \$68,376 have been included in the statement of activities for the year ended December 31, 2015.

10. Subsequent Events

In accordance with ASC 855, Subsequent Events, the Organization evaluates events or transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on April 27, 2016.