

**RONALD MCDONALD HOUSE  
CHARITIES OF ARKOMA, INC.**

**AUDITED FINANCIAL STATEMENTS**  
DECEMBER 31, 2016



**RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.**  
**DECEMBER 31, 2016**

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Ronald McDonald House Charities of Arkoma, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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.

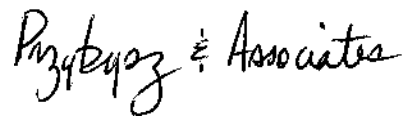
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2016, 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 Summarized Comparative Information**

We have previously audited the Ronald McDonald House Charities of Arkoma, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statement in our report dated April 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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**  
**March 30, 2017**

***FINANCIAL STATEMENTS***

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENT OF FINANCIAL POSITION

| <b>AS OF DECEMBER 31,</b>               | <b>2016</b>         | <b>2015</b>         |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 209,446          | \$ 211,495          |
| Pledges receivable                      | 40,070              | 36,800              |
| Investments                             | 1,864,956           | 1,747,717           |
| Security deposit                        | 1,500               | 1,500               |
| Equipment and furniture                 | 263,373             | 170,333             |
| Family rooms                            | 1,803,208           | 829,963             |
| Construction in progress                | -                   | 19,250              |
| Accumulated depreciation                | (248,446)           | (186,481)           |
| <b>Total Assets</b>                     | <b>\$ 3,934,107</b> | <b>\$ 2,830,577</b> |
| <b>Liabilities and Net Assets</b>       |                     |                     |
| <b>Liabilities</b>                      |                     |                     |
| Accounts payable                        | \$ 247,576          | \$ 31,065           |
| Accrued payroll and related liabilities | 3,615               | 16,370              |
| Other accrued liabilities               | 5,292               | 4,720               |
| <b>Total Liabilities</b>                | <b>256,483</b>      | <b>52,155</b>       |
| <b>Net Assets</b>                       |                     |                     |
| Temporarily restricted                  | 830,528             | 905,273             |
| Unrestricted                            | 2,847,096           | 1,873,149           |
| <b>Total Net Assets</b>                 | <b>3,677,624</b>    | <b>2,778,422</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 3,934,107</b> | <b>\$ 2,830,577</b> |

See accompanying notes to financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

|   | Unrestricted        | Temporarily<br>Restricted | Total<br>2016       | Total<br>2015       |
|---|---------------------|---------------------------|---------------------|---------------------|
| <b>Revenues and Other Support</b>                                       |                     |                           |                     |                     |
| Contributions   | \$ 1,199,260        | \$ 11,745                 | \$ 1,211,005        | \$ 315,351          |
| Excellence grant  | 25,000              |                           | 25,000              | 35,000              |
| In-kind contributions   | 209,750             | -                         | 209,750             | 79,170              |
| Proceeds of auctions and fundraising<br>events, excluding contributions | 315,656             | -                         | 315,656             | 360,237             |
| Interest and dividend income  | 43,913              | -                         | 43,913              | 40,304              |
| Realized gains/(loss) on investments                                    | 4,864               | -                         | 4,864               | (1,146)             |
| Unrealized gains/(loss) on investments                                  | 85,151              | -                         | 85,151              | (84,576)            |
| Net assets released from restrictions                                   | 86,490              | (86,490)                  | -                   | -                   |
| <b>Total Revenues and Other Support</b>                                 | <b>1,970,084</b>    | <b>(74,745)</b>           | <b>1,895,339</b>    | <b>744,340</b>      |
| <b>Expenses</b>   |                     |                           |                     |                     |
| Program Services  | 681,924             | -                         | 681,924             | 626,973             |
| Management and General  | 76,977              | -                         | 76,977              | 68,076              |
| Fundraising   | 237,236             | -                         | 237,236             | 229,948             |
| <b>Total Expenses</b>   | <b>996,137</b>      | <b>-</b>                  | <b>996,137</b>      | <b>924,997</b>      |
| Change in Net Assets  | 973,947             | (74,745)                  | 899,202             | (180,657)           |
| Net Assets, Beginning of Year   | 1,873,149           | 905,273                   | 2,778,422           | 2,959,079           |
| <b>Net Assets, End of Year</b>  | <b>\$ 2,847,096</b> | <b>\$ 830,528</b>         | <b>\$ 3,677,624</b> | <b>\$ 2,778,422</b> |

See accompanying notes to financial statements.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015**

|                                | Program<br>Services | Management<br>& General | Fund-<br>raising  | Total<br>2016     | Total<br>2015     |
|--------------------------------|---------------------|-------------------------|-------------------|-------------------|-------------------|
| <b>Expenses</b>                |                     |                         |                   |                   |                   |
| Advertising and promotions     | \$ 20,754           | \$ -                    | \$ 2,306          | \$ 23,060         | \$ 23,816         |
| Automobile mileage             | 5,004               | 500                     | 4,503             | 10,007            | 10,928            |
| Bank and credit card fees      | -                   | 6,868                   | -                 | 6,868             | 7,004             |
| Board expenses                 | 371                 | 261                     | 55                | 687               | 1,527             |
| Care mobile support            | 58,708              | -                       | -                 | 58,708            | 68,376            |
| Employee benefits              | 7,354               | 2,263                   | 1,697             | 11,314            | 9,518             |
| Employee training and seminars | 5,388               | 3,556                   | 1,832             | 10,776            | 11,469            |
| Events                         | -                   | -                       | 120,217           | 120,217           | 108,368           |
| Depreciation                   | 60,106              | 1,859                   | -                 | 61,965            | 55,646            |
| Dues & subscriptions           | 1,321               | 367                     | 5,652             | 7,340             | 7,717             |
| Grants & gifts                 | 25,000              | -                       | -                 | 25,000            | 35,214            |
| Insurance                      | 6,524               | 2,610                   | 1,739             | 10,873            | 10,897            |
| In-kind expense                | 108,450             | -                       | -                 | 108,450           | 70,782            |
| Investment management fees     | -                   | 16,689                  | -                 | 16,689            | 16,109            |
| Other expenses                 | 584                 | 58                      | 5,195             | 5,837             | 5,278             |
| Postage and delivery           | 1,128               | 103                     | 1,333             | 2,564             | 2,836             |
| Printing and reproduction      | 1,987               | 683                     | 3,538             | 6,208             | 5,474             |
| Professional fees              | 1,855               | 6,360                   | 619               | 8,834             | 8,755             |
| Payroll Taxes                  | 21,923              | 1,686                   | 4,497             | 28,106            | 33,351            |
| Repairs and maintenance        | 7,939               | 427                     | 171               | 8,537             | 18,086            |
| Rent                           | 11,123              | 4,944                   | 4,532             | 20,599            | 19,579            |
| RMHC global affiliate fee      | -                   | -                       | 15,029            | 15,029            | 18,841            |
| Salaries and wages             | 275,860             | 25,408                  | 61,706            | 362,974           | 330,136           |
| Security                       | -                   | -                       | -                 | -                 | 521               |
| Supplies                       | 1,975               | 706                     | 141               | 2,822             | 2,129             |
| Travel                         | 1,166               | 524                     | 690               | 2,380             | 1,596             |
| True sense expense             | 51,795              | -                       | -                 | 51,795            | 32,579            |
| Utilities                      | 5,609               | 1,105                   | 1,784             | 8,498             | 8,465             |
| <b>Total Expenses</b>          | <b>\$ 681,924</b>   | <b>\$ 76,977</b>        | <b>\$ 237,236</b> | <b>\$ 996,137</b> | <b>\$ 924,997</b> |

See accompanying notes to financial statements.



# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## STATEMENT OF CASH FLOWS

| FOR THE YEARS ENDED DECEMBER 31,                               | 2016               | 2015              |
|--|--------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                    |                    |                   |
| Change in net assets   | \$ 899,202         | \$ (180,657)      |
| Noncash items:   |                    |                   |
| Depreciation   | 61,965             | 55,646            |
| Unrealized (gains)/losses on investments                       | (85,151)           | 84,576            |
| Realized (gains)/losses on investments                         | (4,864)            | 1,146             |
| Changes in:  |                    |                   |
| (Increase) decrease in pledges receivable                      | (3,270)            | 11,834            |
| (Increase) decrease in security deposits                       | -                  | (1,500)           |
| Increase (decrease) in accounts payable                        | 216,511            | 2,560             |
| Increase (decrease) in accrued payroll and related liabilities | (12,755)           | 6,820             |
| Increase (decrease) in other accrued expenses                  | 572                | (3,400)           |
| <b>Net Cash Provided (Used) By Operating Activities</b>        | <b>1,072,210</b>   | <b>(22,975)</b>   |
| <b>Cash Flows From Investing Activities</b>                    |                    |                   |
| Acquisition of fixed assets                                    | (1,047,035)        | (37,646)          |
| Purchase of investments  | (323,182)          | (1,159,562)       |
| Proceeds from sale of investments                              | 295,958            | 635,368           |
| <b>Net Cash Used By Investing Activities</b>                   | <b>(1,074,259)</b> | <b>(561,840)</b>  |
| <b>Net Decrease In Cash and Cash Equivalents</b>               | <b>(2,049)</b>     | <b>(584,815)</b>  |
| Cash and Cash Equivalents, Beginning of Year                   | 211,495            | 796,310           |
| <b>Cash and Cash Equivalents, End of Year</b>                  | <b>\$ 209,446</b>  | <b>\$ 211,495</b> |

See accompanying notes to financial statements.

# **RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

### **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 was completed during 2016 at the Washington Regional Medical Center in Fayetteville, Arkansas. In addition, RMHCA provides support to a Ronald McDonald Care Mobile owned by RMHC-Global and operated (in RMHCA's service area) by Arkansas Children's Hospital, providing dental care to children who might not otherwise have access to adequate dental care.

#### **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, 2016

### 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. 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.

#### d. 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.

#### e. Contributions, Grants, and Bequests Receivable

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

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged to management and general expense. Subsequent recoveries of amounts previously written off are recognized as revenues. Management believes that all receivable balances are collectible at December 31, 2016.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 1. Summary of Significant Accounting Policies (continued)

#### 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.

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.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 1. Summary of Significant Accounting Policies (continued)

#### 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:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Equipment and furniture | 5-7          |
| Family Rooms            | 27.5         |

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

#### j. Advertising and Promotions

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

#### k. 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.

#### l. 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, 2015 from which the summarized information was derived.

#### m. Reclassifications

Certain 2015 amounts have been reclassified in order to conform with the 2016 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 2. Cash Deposits

The Organization maintains its operating bank accounts in two local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Organization's cash balances may, at times, exceed these insured limits. At December 31, 2016, and 2015, all of the Organization's deposit were insured. The Organization does not believe that there is any significant risk associated with the concentrations of credit nor has the Organization experienced any losses in such accounts.

### 3. Pledges receivable

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

Estimated collections on pledges receivable are as follows:

| <b>As of December 31,</b> | <b>2016</b>      | <b>2015</b>      |
|---------------------------|------------------|------------------|
| Less than one year        | \$ 14,240        | \$ 10,800        |
| One to five years         | 5,830            | 6,000            |
| More than five years      | 20,000           | 20,000           |
| <b>Total</b>              | <b>\$ 40,070</b> | <b>\$ 36,800</b> |

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

### 4. 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. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements. 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.

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 4. Federal Income Tax (continued)

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's tax years for 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service as of December 31, 2016.

### 5. Property and Equipment

Activity of capital assets consists of the following:

| As Of                               | January 1,<br>2016  | Additions /<br>Transfers | Retirements /<br>Transfers | December 31,<br>2016 |
|-------------------------------------|---------------------|--------------------------|----------------------------|----------------------|
| RMHC Family Rm., Mercy - Fort Smith | \$ 350,706          | \$ 63                    | \$ -                       | \$ 350,769           |
| RMHC Family Rm., Mercy - Rogers     | 634,097             |                          | -                          | 634,097              |
| RMHC Family Rm, Wash. Region- Fay.  |                     | 1,065,276                | -                          | 1,065,276            |
| RMHC Office                         | 15,493              | 946                      |                            | 16,439               |
| Construction in progress            | 19,250              | -                        | 19,250                     | -                    |
| <b>Total</b>                        | <b>\$ 1,019,546</b> | <b>\$ 1,066,285</b>      | <b>\$ 19,250</b>           | <b>\$ 2,066,581</b>  |

| As Of                               | January 1,<br>2015 | Additions /<br>Transfers | Retirements /<br>Transfers | December 31,<br>2015 |
|-------------------------------------|--------------------|--------------------------|----------------------------|----------------------|
| RMHC Family Rm., Mercy - Fort Smith | \$ 333,956         | \$ 16,750                | \$ -                       | \$ 350,706           |
| RMHC Family Rm., Mercy - Rogers     | 634,097            |                          |                            | 634,097              |
| RMHC Office                         | 13,847             | 1,646                    | -                          | 15,493               |
| Construction in progress            |                    | 19,250                   | -                          | 19,250               |
| <b>Total</b>                        | <b>\$ 981,900</b>  | <b>\$ 37,646</b>         | <b>\$ -</b>                | <b>\$ 1,019,546</b>  |

Construction of the new Ronald McDonald House at the Washington Regional Medical Center in Fayetteville, Arkansas, was completed and in service in 2016.

### 6. Restrictions on Net Assets

Temporarily restricted net assets were for the following:

| As of December 31,   | 2016              | 2015              |
|--|-------------------|-------------------|
| Purpose Restricted   |                   |                   |
| Care Mobile expenses   | \$ 790,458        | \$ 849,166        |
| Centers of Excellence grant - fixed assets, supplies and repairs | -                 | 19,307            |
| Time restricted  |                   |                   |
| Pledges receivable   | 40,070            | 36,800            |
| <b>Total</b>   | <b>\$ 830,528</b> | <b>\$ 905,273</b> |

# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 7. 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 consist of the following:

| <b>As of December 31, 2016</b> | <b>Cost</b>         | <b>Market</b>       |
|--------------------------------|---------------------|---------------------|
| Arvest Account                 |                     |                     |
| Cash and equivalents           | \$ 44,092           | \$ 44,092           |
| Fixed income                   | 649,986             | 621,098             |
| Equities and equity funds      | 986,479             | 1,143,316           |
| Other                          | 49,439              | 56,450              |
| <b>Total</b>                   | <b>\$ 1,729,996</b> | <b>\$ 1,864,956</b> |

| <b>As of December 31, 2015</b> | <b>Cost</b>         | <b>Market</b>       |
|--------------------------------|---------------------|---------------------|
| 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              |
| <b>Total</b>                   | <b>\$ 1,663,432</b> | <b>\$ 1,747,717</b> |

#### Fair Value Disclosures

The following table represents the Organization's investments that are measured at fair value on a recurring basis at December 31, 2016:

|                | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>        |
|----------------|---------------------|----------------|----------------|---------------------|
| Arvest account | \$ 1,864,956        | \$ -           | \$ -           | \$ 1,864,956        |
| <b>Total</b>   | <b>\$ 1,864,956</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 1,864,956</b> |

Management fees for the years ended December 31, 2016 and 2015 totaled \$16,689 and \$16,109, respectively.



# RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 8. Leases

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

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 is \$18,000 and \$18,000 and \$17,667 for the years ended December 31, 2016 and 2015, respectively.

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

Future minimum annual rental commitments under the non-cancellable operating leases at December 31, 2016 are as follows:

| <b>Year ending December 31,</b> |           |
|---------------------------------|-----------|
| 2017                            | \$ 18,166 |
| 2018                            | 15,830    |
| Total                           | \$ 33,996 |

### 9. Employee Benefit Plan

RMHCA has a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code. The plan is available to all full-time employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. RMHCA is required to make matching contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation. For the years ended December 31, 2016 and 2015, RMHCA has provided for matching contributions of \$8,039 and \$7,837, respectively.

# **RONALD MCDONALD HOUSE CHARITIES OF ARKOMA, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

### **10. Commitments and Related Party Transactions**

RMHCA is party to a Support Agreement whereby it is committed to contribute to Arkansas Children's Hospital (ACH) 20% of the operating cost of a Care Mobile unit which is licensed to ACH by RMHC-Global. The Care Mobile unit is a mobile dental facility for children and is operated by ACH in RMHCA's service area. The support agreement may be terminated by RMHCA only with the agreement of RMHC-Global. However, the support agreement will also terminate upon the termination of the license agreement between ACH and RMHC-Global. In addition, ACH or RMHC-Global may terminate the license agreement with thirty days written notice. Contributions under this agreement amounting to \$58,708 and \$68,376 have been included in the statement of activities for the years ended December 31, 2016 and 2015, respectively.

### **11. 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 March 30, 2017.