

**RONALD MCDONALD HOUSE CHARITIES OF  
ANN ARBOR  
ANN ARBOR, MICHIGAN**

**FINANCIAL STATEMENTS**

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

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
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STEFFORIA, PETIK & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

2178 S. State Street, Suite D  
Ann Arbor, Michigan 48104

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Ronald McDonald House Charities of Ann Arbor

We have audited the accompanying financial statements of Ronald McDonald House Charities of Ann Arbor (a nonprofit 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.

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Ann Arbor 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.

***Stefforia, Petik & Associates, P.C.***

July 12, 2017

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 842,996	\$ 725,022
Accounts Receivable	4,150	6,642
Contributions Receivable, Net	49,433	97,500
Prepaid Expenses	5,970	5,970
Inventory	3,001	1,652
Investments	1,008,629	1,200,403
Property and Equipment, Net	3,115,299	2,895,965
Total Assets	\$ 5,029,478	\$ 4,933,154
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 18,052	\$ 27,161
Due to Ronald McDonald House Charities - Global	3,484	3,155
Deferred Revenue	15,000	-
Total Liabilities	36,536	30,316
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	3,966,482	4,317,698
Board Designated	520,000	-
Total Unrestricted Net Assets	4,486,482	4,317,698
Temporarily Restricted	10,210	88,890
Permanently Restricted	496,250	496,250
Total Net Assets	4,992,942	4,902,838
Total Liabilities and Net Assets	\$ 5,029,478	\$ 4,933,154

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 975,493	\$ -	\$ -	\$ 975,493
Special Events Revenue	250,321	-	-	250,321
Less Direct Benefit Costs	<u>(79,091)</u>	<u>-</u>	<u>-</u>	<u>(79,091)</u>
Net Revenue from Special Events	171,230	-	-	171,230
RMH Room Donation/Fees	26,451	-	-	26,451
Other Income	3,111	-	-	3,111
Net Assets Released from Restrictions	<u>112,337</u>	<u>(112,337)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>1,288,622</u>	<u>(112,337)</u>	<u>-</u>	<u>1,176,285</u>
<b>EXPENSES</b>				
Program Services	822,303	-	-	822,303
Supporting Services:				
Management and General Administration	154,923	-	-	154,923
Fundraising	187,606	-	-	187,606
Unallocated Payments to RMHC Global	<u>12,795</u>	<u>-</u>	<u>-</u>	<u>12,795</u>
Total Expenses	<u>1,177,627</u>	<u>-</u>	<u>-</u>	<u>1,177,627</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	110,995	(112,337)	-	(1,342)
<b>INVESTMENT INCOME, Net</b>	<u>57,789</u>	<u>33,657</u>	<u>-</u>	<u>91,446</u>
<b>CHANGE IN NET ASSETS</b>	168,784	(78,680)	-	90,104
Net Assets - Beginning of Year	<u>4,317,698</u>	<u>88,890</u>	<u>496,250</u>	<u>4,902,838</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,486,482</u>	<u>\$ 10,210</u>	<u>\$ 496,250</u>	<u>\$ 4,992,942</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 1,088,087	\$ 79,120	\$ -	\$ 1,167,207
Special Events Revenue	220,718	-	-	220,718
Less Direct Benefit Costs	(73,734)	-	-	(73,734)
Net Revenue from Special Events	146,984	-	-	146,984
RMH Room Donation/Fees	34,820	-	-	34,820
Other Income	-	-	-	-
Net Assets Released from Restrictions	415,564	(415,564)	-	-
Total Revenues and Other Support	<u>1,685,455</u>	<u>(336,444)</u>	<u>-</u>	<u>1,349,011</u>
<b>EXPENSES</b>				
Program Services	828,370	-	-	828,370
Supporting Services:				
Management and General Administration	119,710	-	-	119,710
Fundraising	166,692	-	-	166,692
Unallocated Payments to RMHC Global	11,836	-	-	11,836
Total Expenses	<u>1,126,608</u>	<u>-</u>	<u>-</u>	<u>1,126,608</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	558,847	(336,444)	-	222,403
<b>INVESTMENT INCOME, Net</b>	<u>10,023</u>	<u>2,041</u>	<u>-</u>	<u>12,064</u>
<b>CHANGE IN NET ASSETS</b>	568,870	(334,403)	-	234,467
Net Assets - Beginning of Year	<u>3,748,828</u>	<u>423,293</u>	<u>496,250</u>	<u>4,668,371</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,317,698</u>	<u>\$ 88,890</u>	<u>\$ 496,250</u>	<u>\$ 4,902,838</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Program Services		Supporting Services	
	Ronald McDonald House	Management and General	Fundraising	Total
Salaries	\$ 360,206	\$ 66,500	\$ 127,457	\$ 554,163
Employee Health and Retirement Benefits	25,690	4,743	9,090	39,523
Payroll Taxes	28,956	5,346	10,246	44,548
Total Salaries and Related Expenses	414,852	76,589	146,793	638,234
Cleaning Service	1,197	269	30	1,496
Depreciation	128,535	28,920	3,213	160,668
Direct Mail	3,771	-	20,885	24,656
Donor Recognition	-	-	2,564	2,564
House Supplies	149,559	1,517	169	151,245
Insurance	13,563	3,052	339	16,954
Maintenance and Repair	38,234	8,603	956	47,793
Meetings, Training, and Seminars	2,683	1,342	1,342	5,367
Office Supplies	1,807	1,775	1,775	5,357
Other Expenses	4,090	2,209	71	6,370
Postage	1,359	1,358	1,358	4,075
Printing and Publishing	359	358	358	1,075
Professional Fees	10,404	13,128	433	23,965
Technology	2,106	2,105	2,105	6,316
Telephone	2,983	2,983	2,983	8,949
Travel, Meals, and Entertainment	1,346	1,172	1,172	3,690
Utilities	42,413	9,543	1,060	53,016
Volunteer Recognition	3,042	-	-	3,042
	<u>\$ 822,303</u>	<u>\$ 154,923</u>	<u>\$ 187,606</u>	1,164,832
Unallocated Payments to RMHC Global				<u>12,795</u>
Total Expenses				<u>\$ 1,177,627</u>

See accompanying Notes to Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program Services	Supporting Services		Total
	Ronald McDonald House	Management and General	Fundraising	
Salaries	\$ 345,049	\$ 37,303	\$ 83,931	\$ 466,283
Employee Health and Retirement Benefits	30,688	3,318	7,465	41,471
Payroll Taxes	29,655	3,206	7,213	40,074
Total Salaries and Related Expenses	405,392	43,827	98,609	547,828
Cleaning Service	878	198	22	1,098
Depreciation	113,052	25,437	2,826	141,315
Direct Mail	3,380	-	15,845	19,225
Donor Recognition	-	-	909	909
House Supplies	183,065	2,483	276	185,824
Insurance	10,713	2,410	268	13,391
Grants	5,100	-	-	5,100
Maintenance and Repair	35,674	8,027	892	44,593
Miscellaneous fundraising expenses	-	-	28,454	28,454
Meetings, Training, and Seminars	3,447	1,724	1,724	6,895
Office Supplies	1,596	1,426	1,426	4,448
Other Expenses	2,517	2,853	38	5,408
Postage	924	924	924	2,772
Printing and Publishing	1,125	1,125	1,125	3,375
Professional Fees	14,686	14,299	5,779	34,764
Technology	2,841	2,840	2,841	8,522
Telephone	2,699	2,699	2,698	8,096
Travel, Meals, and Entertainment	1,289	1,111	1,111	3,511
Utilities	37,009	8,327	925	46,261
Volunteer Recognition	2,983	-	-	2,983
	<u>\$ 828,370</u>	<u>\$ 119,710</u>	<u>\$ 166,692</u>	1,114,772
Unallocated Payments to RMHC Global				<u>11,836</u>
Total Expenses				<u>\$ 1,126,608</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 90,104	\$ 234,467
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	160,668	141,315
Net Realized and Unrealized Gains on Investments	(76,123)	(19,386)
(Increase) Decrease in Assets:		
Accounts Receivable	2,492	5,460
Contributions Receivable	48,067	66,747
Prepaid Expenses	-	3,472
Inventory	(1,349)	979
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(9,109)	11,940
Due to RMHC Global	329	535
Deferred Revenue	15,000	-
Net Cash Provided (Used) by Operating Activities	230,079	445,529
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(324,298)	(1,482,032)
Proceeds from Sale of Investments	592,195	2,144,173
Purchases of Property and Equipment	(380,002)	(1,110,962)
Net Cash Provided (Used) by Investing Activities	(112,105)	(448,821)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	117,974	(3,292)
Cash and Cash Equivalents - Beginning of Year	725,022	728,314
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 842,996	\$ 725,022
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ -	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Noncash Investing and Financing Activities	\$ -	\$ -

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Ann Arbor (the Organization) is a Michigan nonprofit charitable corporation formed in 1983. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following program, operated by the Organization, represents one of the core functions of Ronald McDonald House Charities

**Ronald McDonald House**

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program(s) located in Ann Arbor, Michigan, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including board designated or appropriated amounts, are unrestricted and are reported as part of the unrestricted class.

**Estimates**

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

**Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

such accounts and management believes that it is not exposed to any significant credit risk on cash.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization believed that all accounts receivables as of December 31, 2016 and 2015 were fully collectable and had no recorded allowance for uncollectible receivables at December 31, 2016 or 2015.

**Contributions Receivable**

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

**Inventory**

Inventory consists of promotional products available for sale and is stated at the lower of cost (first-in, first-out) or market.

**Investments**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. All significant amounts are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	30 - 40 Years
Office Furniture and Equipment	5 - 15 Years

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**Impairment of Long-Lived Assets**

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

**Donated Assets, Property and Equipment, and Services**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**Deferred Revenue**

Income from sponsorships received in advance of future special events is deferred and recognized over the periods to which the sponsorships relate.

**Net Assets**

The Organization's net assets and changes therein are classified and reported as follows:

**Unrestricted**

Net assets that are not subject to donor-imposed restrictions or law. The Board has designated a portion of unrestricted net assets for long-term investment.

**Temporarily Restricted**

Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Organization or the passage of time.

**Permanently Restricted**

Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted purposes.

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**Revenue Recognition**

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Organization records the contribution revenue as unrestricted.

**Expense Allocation**

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

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

	2016	2015
Amounts due in:		
Less than One Year	\$ 31,333	\$ 50,000
One to Five Years	20,000	52,500
More than Five Years	-	-
Total	51,333	102,500
Unamortized Discount	1,900	5,000
Net Contributions Receivable	\$ 49,433	\$ 97,500

The discount rate used for both the years ended December 31, 2016 and 2015 was 4%.

**NOTE 3 FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2016 and 2015 are as follows:

	Cost	Fair Value	Fair Value Measurements at December 31, 2016 Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 549,972	\$ 627,883	\$ 627,883	\$ -	\$ -
Global	215,706	211,407	211,407	-	-
Asset Allocation	58,299	62,888	62,888	-	-
Bonds	105,033	106,451	106,451	-	-
Total Investments	<u>\$ 929,010</u>	<u>\$ 1,008,629</u>	<u>\$ 1,008,629</u>	<u>\$ -</u>	<u>\$ -</u>

Assets:

	Cost	Fair Value	Fair Value Measurements at December 31, 2015 Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 693,555	\$ 741,504	\$ 741,504	\$ -	\$ -
Global	235,310	216,279	216,279	-	-
Asset Allocation	121,917	125,126	125,126	-	-
Bonds	124,254	117,494	117,494	-	-
Total Investments	<u>\$ 1,175,036</u>	<u>\$ 1,200,403</u>	<u>\$ 1,200,403</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and

**RONALD MCDONALD HOUSE CHARITIES OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Interest and Dividend Income	\$ 21,493	\$ 25,424
Realized and Unrealized Gains, Net	76,123	(6,038)
Less Investment Expenses	(6,170)	(7,322)
Investment Income, Net	\$ 91,446	\$ 12,064

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	2016	2015
Buildings and Improvements	\$ 4,645,808	\$ 4,387,425
Office Furniture and Equipment	995,263	873,644
Total, at Cost	5,641,071	5,261,069
Accumulated Depreciation	2,525,772	2,365,104
Total Property and Equipment	\$ 3,115,299	\$ 2,895,965

**NOTE 5 ENDOWMENT FUNDS**

The Organization's endowment consists of one individual donor-restricted fund established for specific purpose. As required by U.S. GAAP net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the board of trustees of the Organization has interpreted the 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. 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 that standard. In accordance with that standard, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general



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**NOTE 5 ENDOWMENT FUNDS (CONTINUED)**

economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization's objective is to earn a respectable, long-term risk adjusted total rate of return to support the Organization's programs. Management recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income is a secondary consideration, as the investment portfolio is comprised entirely of publicly traded securities. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Organization has preference for simple investment structures which will have lower cost, easier oversight and less complexity for internal financial management and auditing.

*Spending Policy.* The Organization reports endowment earnings as changes in temporarily restricted net assets. The Organization's annual appropriation policy for expenditure of endowment earnings does not require formal action, therefore endowment earnings are released from restriction in the period earned absent action by the Board of Directors.

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 is as follows:

2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 496,250	\$ 496,250
Board-Designated Endowment Funds	-	-	-	-
Total Funds	\$ -	\$ -	\$ 496,250	\$ 496,250
2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 496,250	\$ 496,250
Board-Designated Endowment Funds	-	-	-	-
Total Funds	\$ -	\$ -	\$ 496,250	\$ 496,250

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**NOTE 5 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets as of December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, December 31, 2014	\$ -	\$ -	\$ 496,250	\$ 496,250
Investment Return:				
Investment Income, Net	-	6,578	-	6,578
Net Appreciation (Realized and Unrealized)	-	(4,537)	-	(4,537)
Total Investment Return	-	2,041	496,250	498,291
Contributions	-	-	-	-
Reclassification to Endowment Asset	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(2,041)	-	(2,041)
Other Changes:				
Transfers to Remove Board-Designated Endowment Funds	-	-	-	-
Endowment Net Assets, December 31, 2015	-	-	496,250	496,250
Investment Return:				
Investment Income, Net	-	4,826	-	4,826
Net Appreciation (Realized and Unrealized)	-	28,831	-	28,831
Total Investment Return	-	33,657	-	33,657
Contributions	-	-	-	-
Reclassification to Endowment Asset	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(33,657)	-	(33,657)
Other Changes:				
Transfers to Remove Board-Designated Endowment Funds	-	-	-	-
Endowment Net Assets, December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,250</u>	<u>\$ 496,250</u>

*Fund 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 U.S. GAAP, deficiencies of this nature, if any are reported in unrestricted net. There were no such deficiencies at December 31, 2016 or 2015.

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**NOTE 6 RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following programs and purposes as directed by donors as of December 31:

	2016	2015
Family Grants (Fellhauer Fund)	\$ 10,210	\$ 10,210
Main House refurbishment	-	78,680
Total Temporarily Restricted Net Assets	\$ 10,210	\$ 88,890

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be spent on Ronald McDonald House operations.

Net assets were released from restrictions as follows:

	2016	2015
Family grants (Fellhauer Fund)	\$ -	\$ 5,100
Mott House	-	179,813
Main House refurbishment	78,680	228,610
Endowment Expenditure Appropriations	33,657	2,041
Total Released From Restriction	\$ 112,337	\$ 415,564

**NOTE 7 DONATED GOODS AND SERVICES**

The fair value of donated goods and services included as contributions in the financial statements and the corresponding property and equipment or expense categories for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Office Furniture and Equipment	\$ 115,026	\$ 8,790
Landscaping and Cleaning Services	1,496	1,098
House Supplies	141,338	165,778
Total	\$ 257,860	\$ 175,666

**NOTE 8 401(K) SIMPLE IRA PLAN**

The Organization provides a 401(k) SIMPLE IRA plan to all full and part-time employees after one year of employment with the Organization. The Organization contributes 3% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$11,196 and \$9,912 for the years ended December 31, 2016 and 2015, respectively.

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**NOTE 9 TRANSACTIONS WITH RELATED ENTITIES**

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2016 and 2015, the Organization received \$60,810 and \$51,342, respectively, from these revenue streams.

**NOTE 10 CONCENTRATIONS**

Contributions totaling \$350,000, were received from a single donor during both of the years ending December 31, 2016 and 2015, which represents 36% and 29%, respectively of total public support.

**NOTE 11 SUBSEQUENT EVENTS**

Management evaluated subsequent events through July 12, 2017, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.