

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Ronald McDonald House Charities of Oklahoma City, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Oklahoma City, Inc. as of December 31, 2015 and 2014, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
June 15, 2016

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2015 AND 2014**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,187,235	\$ 2,119,816
Receivables	23,768	94,359
Prepaid Expenses	16,981	12,064
<u>Total Current Assets</u>	<u>\$ 1,227,984</u>	<u>\$ 2,226,239</u>
<u>Long Term Investments</u> (Notes 2 and 7)	<u>\$ 2,077,062</u>	<u>\$ 2,076,187</u>
<u>Property and Equipment</u>		
Land	\$ 4,505	\$ 4,505
Building	1,665,924	1,470,527
Leasehold Improvements	1,436,234	293,797
Equipment	84,435	51,047
Furniture and Fixtures	313,698	200,067
Automobile	31,359	31,359
Construction in Progress	-	1,285,363
Less: Accumulated Depreciation	<u>(1,002,513)</u>	<u>(881,664)</u>
<u>Net Property and Equipment</u>	<u>\$ 2,533,642</u>	<u>\$ 2,455,001</u>
<u>Total Assets</u>	<u>\$ 5,838,688</u>	<u>\$ 6,757,427</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accrued Liabilities	<u>\$ 167,637</u>	<u>\$ 1,253,372</u>
<u>Total Current Liabilities</u>	<u>\$ 167,637</u>	<u>\$ 1,253,372</u>
<u>Net Assets</u>		
Unrestricted:		
Portion Invested in Property and Equipment (Net)	\$ 2,533,642	\$ 2,455,001
Other Unrestricted	1,534,578	1,397,538
Temporarily Restricted (Note 6)	1,104,016	1,152,701
Permanently Restricted (Note 6)	<u>498,815</u>	<u>498,815</u>
<u>Total Net Assets</u>	<u>\$ 5,671,051</u>	<u>\$ 5,504,055</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 5,838,688</u>	<u>\$ 6,757,427</u>

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**STATEMENTS OF ACTIVITIES****FOR YEARS ENDED DECEMBER 31, 2015 AND 2014**

	DECEMBER 31, 2015				DECEMBER 31, 2014			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<u>Revenue, Support, and Gains</u>								
Special Events (Note 9)								
Gross Special Events Revenue	\$ 321,473	\$ -	\$ -	\$ 321,473	\$ 272,814	\$ -	\$ -	\$ 272,814
Less Cost of Direct Benefits to Donors	(47,400)	-	-	(47,400)	(46,132)	-	-	(46,132)
Net Special Events Revenue	\$ 274,073	\$ -	\$ -	\$ 274,073	\$ 226,682	\$ -	\$ -	\$ 226,682
Contributions	961,034	325,788	-	1,286,822	819,458	338,507	-	1,157,965
Income on Investments	19,514	58,383	-	77,897	19,828	58,432	-	78,260
Net Unrealized Gain (Loss) on Investments	(17,770)	(57,753)	-	(75,523)	(15,308)	(5,026)	-	(20,334)
Other Revenues, Supports, and Gain (Loss)	(107)	-	-	(107)	3,491	-	-	3,491
Net Assets Released from Restrictions	375,103	(375,103)	-	-	1,056,117	(1,056,117)	-	-
<u>Total Revenue, Support, and Gains</u>	\$ 1,611,847	\$ (48,685)	\$ -	\$ 1,563,162	\$ 2,110,268	\$ (664,204)	\$ -	\$ 1,446,064
<u>Expenses</u>								
Program Expenses	\$ 984,979	\$ -	\$ -	\$ 984,979	\$ 770,469	\$ -	\$ -	\$ 770,469
Supporting Services Expenses								
Management and General Expenses	159,138	-	-	159,138	146,485	-	-	146,485
Fundraising Expenses	219,792	-	-	219,792	121,596	-	-	121,596
Total Supporting Services Expenses	\$ 378,930	\$ -	\$ -	\$ 378,930	\$ 268,081	\$ -	\$ -	\$ 268,081
Unallocated Payments to RMHC Global (Note 8)	32,257	-	-	32,257	28,872	-	-	28,872
<u>Total Expenses</u>	\$ 1,396,166	\$ -	\$ -	\$ 1,396,166	\$ 1,067,422	\$ -	\$ -	\$ 1,067,422
<u>Change in Net Assets</u>	\$ 215,681	\$ (48,685)	\$ -	\$ 166,996	\$ 1,042,846	\$ (664,204)	\$ -	\$ 378,642
<u>Net Assets - Beginning of Year</u>	3,852,539	1,152,701	498,815	5,504,055	2,809,693	1,816,905	498,815	5,125,413
<u>Net Assets - End of Year</u>	\$ 4,068,220	\$ 1,104,016	\$ 498,815	\$ 5,671,051	\$ 3,852,539	\$ 1,152,701	\$ 498,815	\$ 5,504,055

The accompanying notes are an integral part of these financial statements.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**STATEMENT OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2015**

	PROGRAM EXPENSE						MANAGEMENT AND		TOTAL
	HOUSE	FAMILY ROOM	RMH-CHILDRENS	GRANTS	SCHOLARSHIPS	TOTAL	GENERAL	FUNDRAISING	
Grant Program Expense	\$ -	\$ -	\$ -	\$ 13,468	\$ -	\$ 13,468	\$ -	\$ -	\$ 13,468
Scholarship Program Expense	-	-	-	-	90,944	90,944	-	-	90,944
House Program Expense:									
Salaries and Related Expense	114,743	70,463	137,779	7,140	7,140	337,265	105,545	66,595	509,405
Employee Benefits	8,607	4,314	23,321	-	-	36,242	4,659	2,519	43,420
Utilities	30,881	-	3,993	-	-	34,874	-	-	34,874
Office Expense	3,293	662	2,662	-	-	6,617	2,545	-	9,162
Van Expense	1,878	-	-	-	-	1,878	-	-	1,878
Insurance	23,281	1,346	2,858	110	110	27,705	1,629	1,342	30,676
House Repairs, Supplies, and Maintenance	27,870	13,025	24,274	-	-	65,169	-	-	65,169
Fundraising Expense	-	-	-	-	-	-	-	174,072	174,072
Professional Fees	-	-	-	-	-	-	16,400	-	16,400
Outside Services	5,598	2,810	7,302	-	-	15,710	2,602	2,762	21,074
Rent	-	41,234	88,665	-	-	129,899	-	-	129,899
Food	24,096	3,376	21,757	-	-	49,229	-	-	49,229
Meetings/Travel/Education	1,825	-	-	-	-	1,825	4,488	2,379	8,692
Printing/Newsletter/Promotions	-	-	-	-	-	-	-	14,215	14,215
Hospitality and Volunteer/Donor Recognition	89	-	-	-	-	89	-	-	89.00
Dues and Subscriptions	-	-	-	-	-	-	5,308	-	5,308
Depreciation Expense	158,794	-	-	-	-	158,794	-	-	158,794
Miscellaneous Expense	13,760	228	732	275	276	15,271	15,962	3,308	34,541
<u>Total Expenses by Function</u>	\$ 414,715	\$ 137,458	\$ 313,343	\$ 20,993	\$ 98,470	\$ 984,979	\$ 159,138	\$ 267,192	\$ 1,411,309
Less Expenses Included with Revenues on the Statement of Activities									
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(47,400)	(47,400)
<u>Total Expenses Included in the Expense Section on the Statement of Activities</u>	\$ 414,715	\$ 137,458	\$ 313,343	\$ 20,993	\$ 98,470	\$ 984,979	\$ 159,138	\$ 219,792	\$ 1,363,909

The accompanying notes are an integral part of these financial statements.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**STATEMENT OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2014**

	PROGRAM EXPENSE						MANAGEMENT AND		TOTAL
	HOUSE	FAMILY ROOM	RMH-CHILDRENS	GRANTS	SCHOLARSHIPS	TOTAL	GENERAL	FUNDRAISING	
Grant Program Expense	\$ -	\$ -	\$ -	\$ 42,005	\$ -	\$ 42,005	\$ -	\$ -	\$ 42,005
Scholarship Program Expense	-	-	-	-	72,000	72,000	-	-	72,000
House Program Expense:									
Salaries and Related Expense	116,388	62,403	58,213	14,441	14,441	265,886	89,326	44,303	399,515
Employee Benefits	6,349	4,371	7,888	-	-	18,608	1,187	-	19,795
Utilities	34,034	-	126	-	-	34,160	-	-	34,160
Office Expense	3,333	381	2,176	-	-	5,890	10,338	-	16,228
Van Expense	2,124	-	-	-	-	2,124	-	-	2,124
Insurance	26,169	-	-	-	-	26,169	-	-	26,169
House Repairs, Supplies, and Maintenance	35,155	572	34,350	-	-	70,077	-	-	70,077
Fundraising Expense	-	-	-	-	-	-	-	116,163	116,163
Professional Fees	-	-	-	-	-	-	19,100	-	19,100
Outside Services	3,111	1,841	3,375	-	-	8,327	5,328	-	13,655
Rent	-	41,234	-	-	-	41,234	-	-	41,234
Food	49,113	9,355	1,254	-	-	59,722	-	-	59,722
Meetings/Travel/Education	3,922	-	1,334	-	-	5,256	2,071	-	7,327
Printing/Newsletter/Promotions	-	-	-	-	-	-	-	6,279	6,279
Hospitality and Volunteer/Donor Recognition	185	-	-	-	-	185	-	-	185
Dues and Subscriptions	-	-	-	-	-	-	8,848	-	8,848
Depreciation Expense	90,981	-	-	-	-	90,981	-	-	90,981
Miscellaneous Expense	25,128	-	2,083	317	317	27,845	10,287	983	39,115
<u>Total Expenses by Function</u>	\$ 395,992	\$ 120,157	\$ 110,799	\$ 56,763	\$ 86,758	\$ 770,469	\$ 146,485	\$ 167,728	\$ 1,084,682
Less Expenses Included with Revenues on the Statement of Activities									
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(46,132)	(46,132)
<u>Total Expenses Included in the Expense Section on the Statement of Activities</u>	\$ 395,992	\$ 120,157	\$ 110,799	\$ 56,763	\$ 86,758	\$ 770,469	\$ 146,485	\$ 121,596	\$ 1,038,550

The accompanying notes are an integral part of these financial statements.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**STATEMENTS OF CASH FLOWS****FOR YEARS ENDED
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities</u>		
Change in Net Assets	\$ 166,996	\$ 378,642
Adjustments to Reconcile Change in Net Assets to Net Cash		
From (Used for) Operating Activities:		
Depreciation Expense	158,794	90,981
Non-Cash Contributions of Property and Equipment	(73,268)	(101,599)
Net Unrealized (Gain)/Loss on Investments	75,523	20,334
(Gain)/Loss on Sale of Assets	473	4,069
Changes in Operating Assets and Liabilities:		
Receivables	70,591	(9,399)
Prepaid Expenses	(4,917)	(568)
Accrued Liabilities	<u>17,027</u>	<u>98,648</u>
 <u>Net Cash Provided by Operating Activities</u>	 <u>\$ 411,219</u>	 <u>\$ 481,108</u>
 <u>Cash Flows From Investing Activities</u>		
Purchases of Property and Equipment	\$ (1,267,902)	\$ (87,913)
Proceeds from Sales of Property and Equipment	500	-
Proceeds from Sales of Investments	76,390	71,505
Purchases of Investments	<u>(152,788)</u>	<u>(148,479)</u>
 <u>Net Cash Used for Investing Activities</u>	 <u>\$ (1,343,800)</u>	 <u>\$ (164,887)</u>
 <u>Net Change in Cash and Cash Equivalents</u>	 <u>\$ (932,581)</u>	 <u>\$ 316,221</u>
 <u>Cash and Cash Equivalents, Beginning of Year</u>	 <u>2,119,816</u>	 <u>1,803,595</u>
 <u>Cash and Cash Equivalents, End of Year</u>	 <u>\$ 1,187,235</u>	 <u>\$ 2,119,816</u>

For the years ended December 31, 2015 and 2014, noncash investing and financing activities included in-kind donations of property and equipment of \$73,268 and \$101,599, respectively.

As of December 31, 2015 and 2014, purchases of property and equipment of \$23,315 and \$1,126,077, respectively, are reflected in accrued liabilities in the Statement of Financial Position.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NATURE OF OPERATIONS**

Ronald McDonald House Charities of Oklahoma City, Inc. (RMHC) is a not-for-profit corporation incorporated on June 19, 1980, to establish and maintain a Ronald McDonald House (the House) to provide housing and other assistance to families of seriously ill children hospitalized or receiving treatment in the Oklahoma City area. RMHC is licensed by the national organization and is independently responsible for raising the necessary funds and overseeing construction and operation of the local chapter. The House, which is a 15 bedroom facility, is open to all families, no matter their economic status. The House serves families who must leave their own community to seek medical care for their child under the age of 21. Families are referred to the House by hospital social workers and/or physicians from area hospitals, including Presbyterian Hospital, The Children's Hospital, Baptist Medical Center, Mercy Health Center, Dean McGee Eye Institute and Scott Sabolich Prosthetics and Research. In 2015, RMHC opened a 14-bedroom facility in the Garrison Tower at Children's Hospital on the OU Medical Center.

On December 29, 2008, RMHC expanded its mission to include the Ronald McDonald Family Room at Children's Hospital on the OU Medical Center. The Family Room provides a home-like atmosphere for families who need a break from the hospital setting while their child is receiving medical treatment.

The Family Room contains a living area, 2 bathrooms with showers, kitchen/dining area, laundry facilities and a computer room. In addition, there are 4 private bedrooms that families can use for naps or stays up to 3 nights. The warm, welcoming setting provides parents the sometimes needed getaway and yet they are just steps from their child's bedside.

RMHC not only provides housing and assistance to families in need, but also dispenses scholarship and grant monies to meet specific needs within the community. Grant applications are reviewed, and grants are awarded to other not-for-profit organizations which have demonstrated an ability to directly respond to the needs of specific groups of children in a definitive, "hands on" manner that yields measurable results. In addition, scholarships are awarded to college-bound high school seniors based on financial need and academic achievement as well as leadership, community service and recommendation by others. These scholarships and grants are awarded within the local community to meet the broader mission of Ronald McDonald House Charities of Oklahoma City, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**BASIS OF ACCOUNTING**

RMHC prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned and expenses are recognized when incurred.

BASIS OF PRESENTATION

RMHC reports information regarding financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. These funds represent resources over which the Board of Directors has discretionary control and are used to carry out the operations of RMHC in accordance with its bylaws.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2015 AND 2014NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)BASIS OF PRESENTATION (Continued)

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that will be met either by actions of RMHC and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that neither expire with time nor can be fulfilled or otherwise removed by the actions of RMHC.

USE OF ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, RMHC considers all cash and highly liquid investments with initial maturities of three months or less to be cash equivalents.

Financial instruments that potentially subject RMHC to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2015, RMHC had funds totaling \$444,454 in excess of federally insured limits that are subject to credit risk. RMHC places its cash and cash equivalents with high credit quality financial institutions and, therefore, does not believe significant credit risk exists with these deposits.

RMHC holds mutual fund investments in money market funds that are not federally insured. These funds amount to \$454,853 at December 31, 2015, and are included in Cash and Cash Equivalents on the statement of financial position.

PROPERTY AND EQUIPMENT

Equipment is stated at cost or estimated fair market value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of three to ten years for equipment and useful lives of twenty to fifty years for the building and related components. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****PROPERTY AND EQUIPMENT (Continued)**

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2015 and 2014.

INVESTMENTS

Investments include money market funds, bond funds, and equity funds. Although these investments are available to be traded based on market conditions, this is not a trading portfolio.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the Statement of Financial Position. The unrealized gain or loss on investments is reflected in the Statement of Activities. Investment income and gains and losses are reported as unrestricted unless a specific restriction applies.

CONTRIBUTIONS/PROMISES TO GIVE

Cash donations are received primarily from individuals and corporations. Various fundraisers are held throughout the year for the benefit of RMHC.

Contributions are recognized when the donor makes a promise to give to RMHC that is, in substance, unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recorded when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Contributions of services, materials, and equipment are recorded at fair market value.

FUNCTIONAL EXPENSES

RMHC allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. RMHC's policy is to allocate the administrative expenses of the program services based upon the various direct costs related to each program.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****SUBSEQUENT EVENTS**

RMHC has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 15, 2016, the date the financial statements were available to be issued.

NOTE 2 – ENDOWMENT ASSETS

RMHC follows authoritative guidance regarding reporting of endowment funds and disclosures of endowment funds, including the application of the Uniform Prudent Management of Institutional Funds Act.

RMHC has interpreted the Oklahoma Prudent Management of Institutional Funds Act (the “Act”) as requiring the preservation of the fair value of a donation as of the date on which the donation was made, except where the donor provides different instructions or conditions in connection with the donation. Consistent with this interpretation, RMHC has classified its permanently restricted net assets in the amount of the original value of donations made to the permanent endowment as well as the original value of subsequent donations made to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for distribution by RMHC in a manner consistent with the standards set forth in the Act.

As of December 31, 2015 and 2014, endowment net asset composition by type of fund is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>December 31, 2015</u>				
Donor-Restricted Endowments	\$ -	\$ 1,087,990	\$ 498,815	\$ 1,586,805
<u>December 31, 2014</u>				
Donor-Restricted Endowments	\$ -	\$ 1,087,490	\$ 498,815	\$ 1,586,305

RMHC has adopted investment and spending policies for endowment funds that facilitate RMHC’s ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that RMHC must hold in perpetuity or for a donor-specified period as well as board designated funds. Under this policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. RMHC expects its endowment funds, over time, to provide an average rate of return that is consistent with historical returns of assets allocated 60% equity and 40% fixed income and non-equity investments. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from the expected investment return. To satisfy its long-term rate-of-return objectives, RMHC relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NOTE 2 – ENDOWMENT ASSETS (Continued)**

RMHC's investment policy relating to its investment objectives allocates its assets through a prudent diversification that includes equity, fixed income, and non-equity investments. The policy allows portions of the endowment portfolio in excess of permanently restricted amounts to be split into a separate portfolio where it may be appropriated for expenditures approved by the Board of Directors.

RMHC has a policy of making a maximum five percent of its endowment fund's average fair value over the prior eight quarters through the calendar year end proceeding the year in which the distribution is planned available for appropriation. This spending policy is consistent with the objective to preserve purchasing power of the endowment assets held as well as to allow for additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended December 31, 2015 and 2014 are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets, January 1, 2014</u>	\$ -	\$ 1,044,366	\$ 498,815	\$ 1,543,181
<u>Investment Return:</u>				
Investment Income	\$ -	\$ 58,432	\$ -	\$ 58,432
Net Realized and Unrealized Gain (Loss)	-	(15,308)	-	(15,308)
<u>Total Investment Return</u>	\$ -	\$ 43,124	\$ -	\$ 43,124
<u>Endowment Net Assets, December 31, 2014</u>	\$ -	\$ 1,087,490	\$ 498,815	\$ 1,586,305
<u>Investment Return:</u>				
Investment Income	\$ -	\$ 58,252	\$ -	\$ 58,252
Net Realized and Unrealized Gain (Loss)	-	(57,752)	-	(57,752)
<u>Total Investment Return</u>	\$ -	\$ 500	\$ -	\$ 500
<u>Endowment Net Assets, December 31, 2015</u>	\$ -	\$ 1,087,990	\$ 498,815	\$ 1,586,805

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NOTE 3 – TAX EXEMPT STATUS**

RMHC has qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) under a final ruling by the Internal Revenue Service dated March, 1981, and is classified as a publicly supported organization within the meaning of Code Section 509(a)(1) and is not classified as a private foundation. Donations, bequests, legacies, transfers, or gifts to RMHC are deductible for federal income tax purposes. RMHC has no excise or unrelated business income and therefore no provision is necessary for income taxes.

Management has reviewed RMHC's tax positions and concluded that there are no uncertain tax positions that require accrual in the financial statements or disclosure in the footnotes to be in compliance with authoritative literature. Generally, RMHC is no longer subject to income tax examination by federal, state, or local authorities for years prior to 2012.

NOTE 4 – PUBLIC SUPPORT AND REVENUE – DONATED MATERIALS

Individuals, businesses, and other organizations contribute substantial amounts of materials toward the fulfillment of RMHC's mission. To the extent that contributions of materials are made under the control of RMHC, are objectively measurable and represent program or support expenditures which would otherwise be incurred by RMHC, they are reflected in public support, program expense and property in the accompanying financial statements. These materials have been valued at their estimated fair market value at the date of receipt.

RMHC entered into an agreement with HCA Health Services of Oklahoma, dba OU Medical Center to lease the space of the Family Room in The Children's Hospital. The space consists of 2,499 square feet, which consists of respite room for families of patients at OU Medical Center. Rent expense of approximately \$41,000 in 2015 and 2014 is reported as an in-kind donation at the annual fair market rent of the space. The lease agreement expires on December 31, 2016, and the donation is reported in In-Kind Donation income and Family Room expense.

RMHC entered into an agreement with UHAT, University Hospitals Authority & Trust to lease the space for the 14 Bedroom Ronald McDonald House on the 3rd Floor of Garrison Tower. The space consists of 10,077 square feet, which consists of lodging and amenities for families of patients of OU Medical Center. Rent expense of \$88,665 in 2015 is reported as an in-kind donation income and RMH-Children's Rent Expense.

RMHC received donated materials as follows during the years ended December 31, 2015 and 2014:

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<u>December 31, 2015</u>				
Program Expenses	\$ 73,537	\$ -	\$ -	\$ 73,537
Rent	129,899	-	-	129,899
	<u>\$ 203,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,436</u>

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 4 – PUBLIC SUPPORT AND REVENUE – DONATED MATERIALS (Continued)

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<u>December 31, 2014</u>				
Program Expenses	\$ 85,063	\$ -	\$ -	\$ 85,063
Rent	41,234	-	-	41,234
	<u>\$ 126,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,297</u>

NOTE 5 – PUBLIC SUPPORT AND REVENUE-DONATED SERVICES

For the years ended December 31, 2015 and 2014, RMHC recorded contributions of \$13,249 and \$18,232, respectively, relating to donated services. These services are recorded at fair market value. Additionally, volunteers from the community and board members have donated a significant number of hours in assisting RMHC in achieving the goals of its service programs. The value of this contributed time is not reflected in the accompanying financial statements.

NOTE 6 – RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are available as follows:

	<u>2015</u>	<u>2014</u>
Family Room	\$ 16,026	\$ 65,211
Endowment Funds Yet to be Appropriated for Expenditure	1,087,990	1,087,490
	<u>\$ 1,104,016</u>	<u>\$ 1,152,701</u>

At both December 31, 2015 and 2014, permanently restricted net assets of \$498,815 relate to endowment funds which must be held in perpetuity for the benefit of RMHC, with only the related income earned to be appropriated for operating expenses.

NOTE 7 – FAIR VALUE MEASUREMENTS

Inputs used to measure fair value are organized into a fair value hierarchy based on how observable the inputs are. Level 1 inputs consist of quoted prices in active markets for identical assets. Level 2 inputs are inputs, other than quoted prices for similar assets, that are observable. Level 3 inputs are unobservable inputs.

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)**

Certain of RMHC's assets are reported at fair value in the accompanying balance sheets on a recurring basis. At December 31, 2015 and 2014, RMHC's assets reported at fair value on a recurring basis are summarized as follows:

	2015		
	LEVEL 1	LEVEL 2	LEVEL 3
	INPUTS	INPUTS	INPUTS
Mutual Funds:			
Money Market Funds	\$ 72,642	\$ -	\$ -
Short Term Bond Funds	723,341	-	-
Emerging Markets Funds	51,983	-	-
Foreign Large Blend Funds	118,693	-	-
Small-Cap Value Funds	257,891	-	-
Large Value Funds	543,724	-	-
Large Growth Funds	170,096	-	-
Mid-Cap Growth Funds	138,692	-	-
	<u>\$ 2,077,062</u>	<u>\$ -</u>	<u>\$ -</u>

	2014		
	LEVEL 1	LEVEL 2	LEVEL 3
	INPUTS	INPUTS	INPUTS
Mutual Funds:			
Money Market Funds	\$ 72,635	\$ -	\$ -
Short Term Bond Funds	716,503	-	-
Emerging Market Funds	63,997	-	-
Foreign Large Blend Funds	359,488	-	-
Large Value Funds	125,895	-	-
Large Growth Funds	270,006	-	-
Mid-Cap Value Funds	335,025	-	-
Mid-Cap Growth Funds	132,638	-	-
	<u>\$ 2,076,187</u>	<u>\$ -</u>	<u>\$ -</u>

RONALD McDONALD HOUSE CHARITIES OF OKLAHOMA CITY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****NOTE 8 – RELATED PARTY TRANSACTIONS**

RMHC Global is a conglomeration of the 125 chapters of RMHC charities throughout the world. Each chapter gives a portion of their drive thru donations at participating McDonald's locations as a national fee to RMHC Global. In 2015 and 2014, RMHC paid \$32,257 and \$28,872, respectively, in national fees to RMHC Global.

RMHC also participates in a scholarship program in which RMHC Global matches scholarship contributions for qualifying college students in the RMHC region. In both 2015 and 2014, RMHC Global paid matching scholarship contributions of \$18,000.

In 2015, RMHC received a Grant of Excellence from RMHC Global in the amount of \$75,000.

NOTE 9 – SPECIAL EVENTS

RMHC has various fundraising events to help fund operations. The revenue and related direct costs from such events for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>		
	<u>REVENUE</u>	<u>DIRECT COSTS</u>	<u>NET REVENUE</u>
Red Shoe Gala	\$ 286,529	\$ 36,404	\$ 250,125
Walk for Kids	34,944	10,996	23,948
	<u>\$ 321,473</u>	<u>\$ 47,400</u>	<u>\$ 274,073</u>
	<u>2014</u>		
	<u>REVENUE</u>	<u>DIRECT COSTS</u>	<u>NET REVENUE</u>
Red Shoe Gala	\$ 229,840	\$ 35,878	\$ 193,962
Walk for Kids	42,974	10,254	32,720
	<u>\$ 272,814</u>	<u>\$ 46,132</u>	<u>\$ 226,682</u>