

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

**RONALD MCDONALD HOUSE CHARITIES
OF THE RIO GRANDE VALLEY, TEXAS**

December 31, 2015 and 2014



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ronald McDonald House Charities
of the Rio Grande Valley, Texas

We have audited the accompanying financial statements of the Ronald McDonald House Charities of the Rio Grande Valley, Texas (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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ronald McDonald House Charities of the Rio Grande Valley, Texas 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.



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
August 15, 2016

Ronald McDonald House Charities of the Rio Grande Valley, Texas

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 356,495	\$ 375,886
Investments	229,480	197,233
Unconditional promises to give		
Pledge receivable for use of land	186,426	194,836
Restricted to construction of family rooms	2,500	2,500
Other receivables	27,881	35,448
Prepaid expenses	14,649	14,298
Investments restricted to		
Board designated funds	275,483	262,687
Construction of family rooms	303,522	349,378
Concerts to benefit the house	3,121	3,121
Chairman's garden project	3,116	3,116
Property and equipment - net	<u>524,797</u>	<u>554,057</u>
	<u>\$1,927,470</u>	<u>\$1,992,560</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 7,438	\$ 6,928
Accrued expenses	25,854	24,245
Deferred revenue	<u>250</u>	<u>2,000</u>
Total liabilities	33,542	33,173
Net assets		
Unrestricted	1,395,243	1,406,436
Temporarily restricted	<u>498,685</u>	<u>552,951</u>
Total net assets	<u>1,893,928</u>	<u>1,959,387</u>
	<u>\$1,927,470</u>	<u>\$1,992,560</u>

The accompanying notes are an integral part of these statements.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
STATEMENTS OF ACTIVITIES
 Years Ended December 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions	\$ 107,418	\$ 5,025	\$ 112,443	\$ 89,830	\$ 5,750	\$ 95,580
Local fundraising (net of expense)						
Wild Game Feast	79,578	-	79,578	95,784	-	95,784
Pig Fest	26,282	-	26,282	31,654	-	31,654
McDonald's Canister Monies	41,785	-	41,785	35,844	-	35,844
MC365	20,479	-	20,479	20,634	-	20,634
Mailing	4,636	-	4,636	5,104	-	5,104
World Children's Day	57,129	-	57,129	91,362	-	91,362
Merchandise Collections	48,863	-	48,863	59,861	-	59,861
Other fundraising efforts	2,587	-	2,587	3,726	-	3,726
Revenue						
Community development block grant	36,656	-	36,656	41,960	-	41,960
Grants	55,400	-	55,400	-	-	-
Room fees	790	-	790	1,165	-	1,165
Coke machine sales	1,064	-	1,064	3,292	-	3,292
Interest income	3,167	-	3,167	4,595	-	4,595
Dividends and investment income	1,333	-	1,333	1,680	-	1,680
Other income	39	-	39	-	-	-
Net realized and unrealized investment gains (losses)	(1,671)	(1,770)	(3,441)	245	1,902	2,147
Net assets released from restriction	57,521	(57,521)	-	57,668	(57,668)	-
Total revenue and support	543,056	(54,266)	488,790	544,404	(50,016)	494,388
Expenses						
Program services	401,025	-	401,025	396,424	-	396,424
Supporting services						
Management and general	91,832	-	91,832	89,297	-	89,297
Fundraising	37,565	-	37,565	36,359	-	36,359
Unallocated payments to RMHC Global	23,827	-	23,827	31,775	-	31,775
Total expenses	554,249	-	554,249	553,855	-	553,855
Change in net assets	(11,193)	(54,266)	(65,459)	(9,451)	(50,016)	(59,467)
Net assets at beginning of year	1,406,436	552,951	1,959,387	1,415,887	602,967	2,018,854
Net assets at end of year	\$ 1,395,243	\$ 498,685	\$ 1,893,928	\$ 1,406,436	\$ 552,951	\$ 1,959,387

The accompanying notes are integral part of these statements.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended December 31,

	2015			2014			
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising	Total
Compensation	\$ 182,872	\$ 48,938	\$ 25,757	\$ 178,113	\$ 47,664	\$ 25,086	\$ 250,863
Wages	13,792	3,691	1,942	14,124	3,780	1,989	19,893
Payroll taxes	196,664	52,629	27,699	192,237	51,444	27,075	270,756
Insurance	60,269	10,087	4,181	52,516	8,702	3,583	64,801
Depreciation	30,858	2,677	27	32,667	2,736	61	35,464
Utilities	21,837	3,211	807	21,436	3,151	797	25,384
Office operations	9,828	2,733	1,541	17,545	4,749	2,679	24,973
Professional fees	-	14,109	-	-	13,550	-	13,550
House supplies	4,193	-	-	8,697	-	-	8,697
Scholarships and grants to others	10,000	-	-	9,000	-	-	9,000
Conferences and training	2,423	680	383	1,225	344	194	1,763
Rent	44,220	841	-	44,220	841	-	45,061
Maintenance and repairs	13,270	2,799	1,424	12,433	2,545	1,273	16,251
Marketing and public relations	2,158	606	342	2,632	739	417	3,788
Other expenses	5,305	1,460	1,161	1,816	496	280	2,592
	<u>\$ 401,025</u>	<u>\$ 91,832</u>	<u>\$ 37,565</u>	<u>\$ 396,424</u>	<u>\$ 89,297</u>	<u>\$ 36,359</u>	<u>\$ 522,080</u>
Unallocated payments to RMHC Global							31,775
Total expenses							<u>\$ 553,855</u>

The accompanying notes are an integral part of these statements.

Ronald McDonald House Charities of the Rio Grande Valley, Texas

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (65,459)	\$ (59,467)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	33,562	35,464
Net unrealized depreciation (appreciation) on investments	3,441	(2,147)
Donated equipment	(3,068)	(3,398)
(Increase) decrease in pledge receivable for use of land	8,410	8,410
(Increase) decrease other receivables	7,567	(5,488)
(Increase) decrease prepaid expenses	(351)	11,588
Increase (decrease) in accounts payable	510	(1,799)
Increase (decrease) in accrued expenses	1,609	3,853
Increase (decrease) in deferred revenue	<u>(1,750)</u>	<u>(3,900)</u>
Net cash provided (used) by operations	(15,529)	(16,884)
Cash flows from investing activities:		
Payments for equipment	(1,234)	-
Proceeds from sale of investments	-	236,880
Purchase of investments	<u>(2,628)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(3,862)</u>	<u>236,880</u>
Net increase (decrease) in cash and cash equivalents	(19,391)	219,996
Cash and cash equivalents at beginning of year	<u>375,886</u>	<u>155,890</u>
Cash and cash equivalents at end of year	<u>\$ 356,495</u>	<u>\$ 375,886</u>
<i>Supplemental cash flow information:</i>		
<i>Non-cash activities</i>		
<i>Donated goods in-kind, services, equipment and facilities</i>	\$ 116,707	\$ 84,339

The accompanying notes are integral part of these statements.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Ronald McDonald House Charities of the Rio Grande Valley, Texas (RMHCRGV or the Organization) is a Texas not-for-profit corporation formed to provide a home-away-from-home for families of critically ill children receiving medical treatment in the Rio Grande Valley hospitals and by making grants to other not-for-profit organizations whose programs help children in need.

Basis of Presentation

The financial statements of RMHCRGV have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. Financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (ASC) 958-205 (*Not-for-Profit Entities – Presentation of Financial Statements*). In accordance with ASC 958-205, 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. The financial statements reflect unrestricted and temporarily restricted net assets and activities. RMHCRGV does not have any permanently restricted net assets and activities at the present time. Net assets of the restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, RMHCRGV considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributed Services and Materials

Contributed services are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events, but these do not meet the criteria for recognition as contributed services. Contributed materials (primarily items donated for fundraising events and various operating supplies) are recorded as contributions at their estimated fair value.

Investments

Investments in certificates of deposits, equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the Statements of Financial Position. The unrealized gain or loss on investments is reflected in the Statements of Activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

RMHCRGV capitalizes all property and equipment acquisitions in excess of \$500. Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports the expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the Statements of Activities. Maintenance and repairs are included as expenses when incurred.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of respective assets are summarized as follows:

House and improvements	15-40 years
House contents	5-10 years
Office contents	5-10 years

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 and reported in the Statements of Activities as net assets released from restrictions.

Deferred Revenue

Deferred revenue represents cash received from individuals and businesses for the subsequent year's fundraising event.

Functional Allocation of Expenses

The costs of providing the various program and support services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentration of Risk

Cash and cash equivalents of RMHCRGV are exposed to concentrations of credit risk due to balances in excess of FDIC insurance limits. RMHCRGV's cash is deposited in high quality financial institutions but at times, the amount on deposit does exceed the available FDIC insurance limits.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Organization believes it is no longer subject to examination for tax years prior to December 31, 2012.

Estimates

The 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.

Reclassifications

Certain amounts in the financial statements and notes thereto have been reclassified to conform to 2015 classifications.

NOTE B – FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

The Organization maintains cash balances and certificates of deposit at several financial institutions located in South Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year ended December 31, 2015, the Organization's cash balances periodically exceeded FDIC coverage.

Credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region.

Fair Values of Financial Instruments

In accordance with FASB ASC 825-10-50-10 (formerly SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*), the Organization utilizes the following methods and assumptions to estimate fair value of each class of financial instruments:

Cash and cash equivalents – The balance sheet carrying amount approximates fair value.

Investments – The balance sheet carrying amount approximates fair value.

At December 31, 2015, none of the Organization's financial instruments were held for trading purposes.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2015 and 2014

NOTE C – CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED

Cash and cash equivalents on December 31 consist of:

	<u>2015</u>	<u>2014</u>
Petty cash	\$ <u>600</u>	\$ <u>600</u>
Bank accounts		
Capital One Bank	117,789	117,179
Frost Bank	144,364	144,321
Lone Star National Bank	<u>38,058</u>	<u>56,331</u>
Total cash in bank accounts	300,211	317,831
Money market		
Ameriprise	<u>55,684</u>	<u>57,455</u>
Total cash and cash equivalents	<u>\$356,495</u>	<u>\$375,886</u>

NOTE D – INVESTMENTS, INCLUDING RESTRICTED

Investments on December 31 consist of:

	<u>2015</u>	<u>2014</u>
Certificates of deposit		
Plains Capital Bank - 7601	\$ 30,550	\$ 30,412
Lone Star National Bank - 4074	50,000	50,173
Lone Star National Bank - 5541	79,805	79,654
Texas Regional Bank – 9260	54,702	54,573
Texas Regional Bank – 9240	54,998	54,837
Texas Regional Bank – 9245	56,008	55,658
Texas Regional Bank – 9250	56,521	56,116
International Bank of Commerce – 6 month CD	35,599	35,421
International Bank of Commerce – 12 month CD	35,440	35,299
International Bank of Commerce – 18 month CD	35,015	35,404
International Bank of Commerce – 24 month CD	35,000	35,495
International Bank of Commerce – 36 month CD	35,000	35,798
International Bank of Commerce – 48 month CD	35,000	35,921
First Community Bank	103,125	102,611
Mutual fund		
McCIP Investments	<u>117,959</u>	<u>118,163</u>
Total investments	<u>\$814,722</u>	<u>\$815,535</u>

NOTE E – FAIR VALUE MEASUREMENTS

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Accounting Standards Codification Topic ASC 820-10 (previously FAS 157, *Fair Value Measurements*) which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

- Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability.
- Level 3 inputs are unobservable inputs related to the asset or liability.

Investments

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of December 31, 2015:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposits	\$696,763	\$ -	\$696,763	\$ -
Mutual funds	117,959	117,959	-	-
Total investments	\$814,722	\$117,959	\$696,763	\$ -

Promises to Give

When estimating the fair value of unconditional promises to give, management considers promises of \$100,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Unconditional promises to give less than \$100,000 are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor (individual or corporation/foundation), general economic conditions in the geographic area in which the majority of the Organization's donors live, the Organization's policies concerning enforcement of promises to give, and market interest rate assumptions for individuals (currently 5%) or corporations/foundations (currently 5%). The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2015 and 2014

NOTE E – FAIR VALUE MEASUREMENTS - Continued

The table below presents information about unconditional promises to give cash at December 31, 2015:

	<u>\$100,000 or more</u>	<u>Less than \$100,000</u>	<u>Total</u>
Promises measured at fair value			
Carrying amount – use of land	\$186,426	\$ -	\$186,426
Promised cash flows	-	2,500	2,500
Carrying amount – construction of family rooms	-	2,500	2,500
Fair value estimate	-	2,500	2,500
Measurement basis	Level 3	Level 3	
Contribution revenue	-	-	-
Total changes in the statement of activities	-	-	-

NOTE F - RECEIVABLES

Pledge Receivable for Use of Land

Pledge receivables at December 31, 2015, consists of a pledge by Valley Baptist Development Foundation for the use of the land on which the Organization's facility was constructed. The fair market value of the land was \$336,404 at the inception of the lease and rent expense of \$8,410 is being recognized each year over the anticipated 40 year lease term.

Restricted to Construction of Family Rooms

	<u>2015</u>	<u>2014</u>
Capital campaign	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Total unconditional promises to give	2,500	2,500
Less allowance for uncollectible pledges	<u>-</u>	<u>-</u>
	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Amounts due in:		
Less than one year	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Total unconditional promise to give	<u>\$ 2,500</u>	<u>\$ 2,500</u>

In 2006, the Organization initiated a capital campaign for the construction of family rooms. Capital campaign pledges have been discounted to reflect present value, and an allowance for uncollectible pledges based upon experience to date with pledges collections has also been recorded.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2015 and 2014

NOTE F – RECEIVABLES - Continued

Other Receivables

Other receivables consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Canister revenue	\$ 3,537	\$ 3,015
CDBG revenue	-	11,344
Merchandise collections	4,558	4,079
MC365 revenue	6,738	4,810
Other	<u>13,048</u>	<u>12,200</u>
	<u>\$27,881</u>	<u>\$35,448</u>

All amounts were collected in full during the first part of the subsequent year.

NOTE G - ASSETS DESIGNATED AS TO USE (BOARD DESIGNATED FUNDS)

The Board took action in prior years to designate assets for future financial needs which are summarized as follows at December 31:

	<u>2015</u>	<u>2014</u>
Marketing project reserve	\$ 25,000	\$ 25,000
Replacement reserves	82,524	69,524
Operating reserve	50,000	50,000
Peggy Boggus Memorial	<u>117,959</u>	<u>118,163</u>
	<u>\$275,483</u>	<u>\$262,687</u>

Replacement reserves were set at \$1,083 a month during 2015 and 2014. A roof repair for a total of \$4,720 was incurred in 2014. There were no expenditures in 2015.

A bequest was received during 2009 and the Board took action to designate \$25,000 for a marketing project, \$25,000 for additional replacement reserves and \$100,000 for a memorial. In 2011, the \$100,000 was invested in the McCip investment program and named the Peggy Boggus Endowment Fund, which was valued at \$117,959 at December 31, 2015.

The capital campaign for family rooms is described in Note Q, Commitments.

The operating reserve of \$50,000 was established by the Board from the proceeds of a prior year benefit concert sponsored by the owner-operator group.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2015 and 2014

NOTE H - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are summarized as follows at December 31:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 894,760	\$ 894,760
House contents	86,328	86,328
Office contents	59,037	57,802
Edinburg family room	16,531	13,464
Harlingen family room	<u>6,255</u>	<u>6,255</u>
	1,062,911	1,058,609
Accumulated depreciation	<u>(538,114)</u>	<u>(504,552)</u>
	<u>\$ 524,797</u>	<u>\$ 554,057</u>
Depreciation expense for the year	<u>\$ 33,562</u>	<u>\$ 35,464</u>

NOTE I - DEFERRED REVENUE

Deferred revenue consisted of collections for the subsequent year's Wild Game Feast Fundraiser held each year in February. The funds collected in advance of the event were \$250 for 2015 and \$2,000 for 2014.

NOTE J - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	<u>2015</u>	<u>2014</u>
Present value of estimated lease value of land considered in-kind donation	\$186,426	\$194,836
Donor restricted amounts for capital campaign for hospital family rooms	306,022	351,878
Donations restricted by co-op as seed money for concerts to benefit the House	3,121	3,121
Chairman's garden project	<u>3,116</u>	<u>3,116</u>
	<u>\$498,685</u>	<u>\$552,951</u>

NOTE K - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by satisfying the donor's restricted purposes or the passage of time. Net assets released from restrictions are as follows at December 31:

	<u>2015</u>	<u>2014</u>
Time restrictions met		
Use of donated land	\$ 8,410	\$ 8,410
Purpose restrictions met		
Capital campaign costs	44,111	41,784
Student scholarships	5,000	5,000
Kitchen remodeling improvements	<u>-</u>	<u>2,474</u>
	<u>\$ 57,521</u>	<u>\$ 57,668</u>

The capital campaign costs during 2015 and 2014 were for related wages and supplies.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2015 and 2014

NOTE L - FUNDRAISERS

The Organization has a number of fundraisers during the year. The following is a schedule of revenues, expenses and net proceeds from the 2015 fundraisers:

	Proceeds from <u>Event</u>	In-kind <u>Donations</u>	Cost of Direct Benefits to Donors	Fundraising <u>Costs</u>	Net Proceeds from <u>Event</u>
Wild Game Feast	\$114,330	\$ 62,806	\$(97,558)	\$ -	\$ 79,578
Pig Fest	45,865	9,787	(29,370)	-	26,282
McDonald's canister monies	42,365	-	-	(580)	41,785
MC365	20,479	-	-	-	20,479
Mailing	4,875	-	-	(239)	4,636
World Children's Day	57,368	-	-	(239)	57,129
Merchandise collections	49,280	-	-	(417)	48,863
Other fundraising efforts –					
Pull Tab fundraiser	2,070	-	-	(107)	1,963
Recycle First	667	-	-	(71)	596
Other miscellaneous fundraiser	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>
Subtotal of other efforts	<u>2,765</u>	<u>-</u>	<u>-</u>	<u>(178)</u>	<u>2,587</u>
Total fundraising efforts	<u>\$337,327</u>	<u>\$ 72,593</u>	<u>\$(126,928)</u>	<u>\$ (1,653)</u>	<u>\$281,339</u>

The following schedule provides data from 2014 fundraisers:

	Proceeds from <u>Event</u>	In-kind <u>Donations</u>	Cost of Direct Benefits to Donors	Fundraising <u>Costs</u>	Net Proceeds from <u>Event</u>
Wild Game Feast	\$132,202	\$ 40,520	\$(76,938)	\$ -	\$ 95,784
Pig Fest	62,805	-	(31,151)	-	31,654
McDonald's canister monies	39,078	-	-	(3,234)	35,844
MC365	20,634	-	-	-	20,634
Mailing	5,475	-	-	(371)	5,104
World Children's Day	68,907	-	-	-	68,907
Merchandise collections	60,230	-	-	(369)	59,861
Other fundraising efforts –					
Pull Tab	2,955	-	-	(119)	2,836
Recycle First	<u>1,175</u>	<u>-</u>	<u>-</u>	<u>(285)</u>	<u>890</u>
Subtotal of other efforts	<u>4,130</u>	<u>-</u>	<u>-</u>	<u>(404)</u>	<u>3,726</u>
Total fundraising efforts	<u>\$393,461</u>	<u>\$ 40,520</u>	<u>\$(108,089)</u>	<u>\$ (4,378)</u>	<u>\$321,514</u>

NOTE M – ENDOWMENT FUNDS

The Organization's endowment are funds designated by the Board of Trustees to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 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 has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity, fixed income and non-equity investments, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5.8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment Spending Policy

The endowment funds will distribute to the operating fund or other funds to be used for program purpose each year, out of income or out of appreciation in the fair value of the assets over the historic dollar value of the fund, realized and unrealized, an amount equal to five percent (5%) of the fund, as valued by taking 5% of a moving average of the last eight fiscal quarters of the Operating Reserve Portfolio market value. Income and appreciation in excess of that amount shall be retained and accumulated in the endowment fund.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2015 and 2014

NOTE M – ENDOWMENT FUNDS - Continued

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

	<u>Unrestricted</u>	<u>Total Net Endowment Assets</u>
Board designated endowment funds	\$ <u>117,959</u>	\$ <u>117,959</u>
Total endowment funds	\$ <u>117,959</u>	\$ <u>117,959</u>

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

	<u>Unrestricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$118,163	\$118,163
Net appreciation (depreciation)	<u>(204)</u>	<u>(204)</u>
Total endowment funds	\$ <u>117,959</u>	\$ <u>117,959</u>

NOTE N - CONTRIBUTIONS IN-KIND

Contributions on the Statements of Activities include cash contributions received from the general public as well as in-kind donations of goods and services that meet the criteria for recording the donation as explained in Note A. The following is a recap of contributions in-kind at December 31:

	<u>2015</u>	<u>2014</u>
Items included in contributions		
House supplies and furniture	\$ 4,367	\$ 4,717
Maintenance and repairs	3,096	2,451
Rent/use of facility	<u>36,651</u>	<u>36,651</u>
	\$ <u>44,114</u>	\$ <u>43,819</u>
Items included in local fundraising costs		
Wild Game Feast	\$ 62,806	\$ 40,520
Pig Fest	<u>9,787</u>	<u>-</u>
	\$ <u>72,593</u>	\$ <u>40,520</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE O - LEASES

The land on which the Ronald McDonald building was constructed belongs to Valley Baptist Medical Center and Valley Baptist Development Corporation. The 1.42 acres of land is leased from these entities on a long-term lease, the initial term of which is twenty years, commencing April 7, 1997 and ending April 6, 2017. In addition, the lease contains three ten year options to renew. The lease restricts the use of the land to the construction and operation of a Ronald McDonald House and the maintenance of a roadway for ingress and egress to the House. Payments under the term of the lease are \$10 per year.

The fair market value of the leased property is considered donated services and is valued at \$336,404 or \$8,410 per year over the expected life of the lease. The expected life of the lease is 40 years which is the life used to depreciate the House. The fair market value of the land of \$336,404 was determined by prorating the fair market value of the land transferred by Valley Baptist to another nonprofit organization during 1998. The remaining value from the use of the land at year end is included in pledges receivable and in temporarily restricted net assets.

The space where the Edinburg Family Room is located within Edinburg Children's Hospital belongs to the Hospital. The 1,302.75 square feet of space is leased from Edinburg Children's Hospital on a long-term lease, the initial term of which is five years, commencing January 1, 2009 and ending December 31, 2013. The lease is cancelable by either party during the lease term. The lease shall automatically renew for successive periods of one year after the expiration of the initial term. The lease restricts the use of the facility to the operation of a Ronald McDonald House Family Room.

The fair market value of the leased property is considered donated facilities and is valued at \$21,688 per year. The fair market value was determined by using \$1.75 per square foot lease value of the space as determined by the lessor. The value from the use of the facilities is recognized on an annual basis of \$21,688 and is recorded as contributions on the Statements of Activities and is included as rent on the Statements of Functional Expenses.

The space where the Harlingen Family Room is located within the Valley Baptist Medical Center belongs to the Hospital. The 733.5 square feet of space is leased from Valley Baptist Medical Center on a long-term lease, the initial term of which is five years, commencing July 1, 2010 and ending July 31, 2014. The lease is cancelable by either party during the lease term. The lease shall automatically renew for successive periods of one year after the expiration of the initial term. The lease restricts the use of the facility to the operation of a Ronald McDonald House Family Room.

The fair market value of the leased property is considered donated facilities and is valued at \$14,963 per year. The fair market value was determined by using \$1.70 per square foot lease value of the space as determined by the lessor. The value from the use of the facilities for 2014 is recognized on an annual basis of \$14,963 and is recorded as contributions on the Statements of Activities and is included as rent on the Statements of Functional Expenses.

Ronald McDonald House Charities of the Rio Grande Valley, Texas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2015 and 2014

NOTE P - LICENSE AGREEMENT FINANCIAL REQUIREMENTS

RMHCRGV holds a license to operate in the community with McDonald's Corporation and Ronald McDonald House Charities, Inc. The license agreement requires the remittance of 25% of "Special RMHC Fundraising Contributions" on a quarterly basis. In some cases, the fundraising events are centrally collected by the global organization and the net amount is remitted to the Organization. In other instances, the Organization receives the gross proceeds and remits the required 25% to the global organization. Local contributions and proceeds from the local fundraisers are not subject to these remittance requirements.

The Organization remitted \$23,827 and \$31,775 to the global organization during 2015 and 2014, respectively.

NOTE Q - COMMITMENTS

As part of the strategic goals for the Organization, the Board charged an Expansion Task Force with exploring potential expansion opportunities through the use of family rooms within various hospitals in the Rio Grande Valley. During early 2006, the Board hired the Center for Fundraising Management as fundraising consultants to assist with a capital campaign for this expansion. The budget for the expansion is \$1,817,780 which will provide for family rooms at five area hospitals. The budget includes construction costs, project management, furnishings, staffing and operating costs for three years as well as capital campaign costs. The Board anticipates that each participating hospital will donate construction costs for their respective family room which is estimated at a total of \$700,000. The remainder of the project will be funded by donations and pledges from foundations, the co-op members and individual donors.

NOTE R - SUBSEQUENT EVENTS

For the purpose of reporting subsequent events, management has considered events occurring up to August 15, 2016, the date the report was available to be issued.