

**RONALD MCDONALD HOUSE
OF AMARILLO
FINANCIAL STATEMENTS**

Years Ended December 31, 2016 and 2015

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VICTOR B. GLENN
Certified Public Accountant

2700 S. Western Suite 600
Amarillo, Texas 79109

Member:
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

Phone: (806) 358-8997
Fax: (806) 352-8771
E-Mail: victor@victorglenncpa.com

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Ronald McDonald House Charities of Amarillo, Inc. (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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Amarillo, Inc. 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.

Victor B. Glenn

Amarillo, TX
July 31, 2017

RONALD MCDONALD HOUSE CHARITEIS OF AMARILLO, INC.
STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 312,816	\$ 461,501
Investments	867,315	714,932
Prepaid expenses	12,230	7,035
Total current assets	1,192,361	1,183,468
Property and equipment (net)	1,314,677	1,226,894
Other assets		
Investments held for endowment purposes	647,203	647,203
Total assets	\$ 3,154,241	\$ 3,057,565
LIABILITIES		
Current liabilities		
Accounts payable	\$ 27,469	7,622
Accrued liabilities	3,106	5,916
Total current liabilities	30,575	13,538
NET ASSETS		
Unrestricted:		
Invested in property and equipment	1,314,676	1,226,894
Designated for expansion and renovation	30,074	257,616
Undesignated	1,116,713	900,570
Total unrestricted net assets	2,461,463	2,385,080
Temporarily restricted	15,000	11,544
Permanently restricted	647,203	647,203
Total net assets	3,123,666	3,043,827
Total liabilities and net assets	\$ 3,154,241	\$ 3,057,365

See accompanying notes

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC.
STATEMENTS OF ACTIVITIES
For the Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Revenue and other support		
Contributions and grants	404,248	436,998
Room donations	75,455	76,145
Fundraising events	98,061	145,390
Less direct benefits to donors	(35,766)	(33,730)
Investment income, net of fees \$10,351 and \$10,535 in 2015 and 2014, respectively	37,650	33,354
Realized and unrealized gain(loss) on investments	138,252	(86,942)
Royalties	4,435	5,948
Insurance Proceeds	-	250,252
Other income	1,217	1,581
Total unrestricted revenue	723,552	828,996
Net assets released from restrictions	6,544	4,720
Total unrestricted revenue and other support	730,096	833,716
 Expenses		
Program	451,236	450,137
Management and general	79,353	134,152
Fund-raising	114,149	103,913
Total expenses	644,738	688,202
 Unallocated payments to RMHC Global	8,975	6,648
Total expenses and payments	653,713	694,850
Increase in unrestricted net assets	76,383	138,866
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	10,000	5,000
Net assets released from restrictions	(6,544)	(4,720)
Increase in restricted net assets	3,456	280
Increase in net assets	79,839	139,146
 Net assets at beginning of year	3,043,827	2,904,681
Net assets at end of year	\$ 3,123,666	\$ 3,043,827

See accompanying notes

RONALD MCDONALD HOUSE CHARITIES OF AMARILLO, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Increase in net assets	\$ 79,839	\$ 139,146
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and other adjustments	64,386	73,380
Realized and unrealized (gains) losses on investments	(138,251)	86,942
Decrease (increase) in operating assets:		
Prepaid expenses	(5,196)	(170)
Accounts receivable	-	60
Increase (decrease) in operating liabilities:		
Accounts payable	19,846	4,689
Accrued liabilities	(2,810)	1,679
	17,814	305,726
 Cash Flows From Investing Activities		
Proceeds from sale of investments	190,592	940,988
Purchase of investments	(204,720)	(1,437,858)
Purchase of property and equipment	(152,168)	(5,056)
	(166,296)	(501,926)
Net decrease in cash and cash equivalents	(148,482)	(196,200)
 Cash and Cash Equivalents, Beginning of Year	461,298	657,498
 Cash and Cash Equivalents, End of Year	\$ 312,816	\$ 461,298
 Supplemental Disclosure		
Noncash investing and financing transaction:		
Building Renovation	\$ -	\$ 5,056

See accompanying notes

RONALD MCDONALD HOUSE OF AMARILLO
STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended December 31, 2016

	Program Services	Management and General	Fund-raising activities	2016 Total
Salaries	\$ 166,786	\$ 28,473	\$ 26,324	\$ 221,583
Employee benefits	14,704	2,510	2,321	19,534
Payroll taxes	12,586	2,149	1,986	16,721
Employment expenses	<u>194,075</u>	<u>33,132</u>	<u>30,631</u>	<u>257,838</u>
Contract services	1,003	98	122	1,223
Dues, fees and subscriptions	254	2,286	-	2,540
Family room	39,516	-	-	39,516
Family support	8,382	-	-	8,382
House Supplies	5,154	-	-	5,154
Other Supplies	55,968	2,946	1,950	60,864
Insurance	24,526	6,132	-	30,658
Postage and printing	402	1,807	59,434.40	61,645
Professional fees	-	16,709	15,000	31,709
Public Relations	-	-	4,588	4,588
Rents	653	653	1,000	2,307
Repairs and maintenance	26,366	-	-	26,366
Utilities and telephone	25,809	2,007	860	28,676
Vehicle and travel	6,719	3,919	560	11,198
Volunteer recognition	1,497	264	-	1,762
Depreciation	57,947	6,439	-	64,386
Miscellaneous	<u>2,964</u>	<u>2,965</u>	<u> </u>	<u>5,926</u>
Total	<u><u>451,236</u></u>	<u><u>79,355</u></u>	<u><u>114,147</u></u>	<u><u>644,738</u></u>

See accompanying notes

RONALD MCDONALD HOUSE OF AMARILLO
STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended December 31, 2015

	Program Services	Management and General	Fund-raising activities	2015 Total
Salaries	\$ 156,355	\$ 26,693	\$ 24,678	\$ 207,726
Employee benefits	18,331	3,129	2,893	24,353
Payroll taxes	11,586	1,978	1,829	15,393
Employment expenses	<u>186,272</u>	<u>31,800</u>	<u>29,400</u>	<u>247,472</u>
Contract services	3,549	346	433	4,328
Dues, fees and subscriptions	137	1,236	-	1,373
Family room	39,126	-	-	39,126
Family support	6,236	-	-	6,236
House Supplies	8,540	-	-	8,540
Other Supplies	62,004	3,263	15,217	80,484
Insurance	20,846.32	5,211	-	26,057
Merchandising cost	704	-	-	704
Postage and printing	776	3,491	56,219	60,486
Professional fees	-	69,415	-	69,415
Public Relations	-	-	1,024	1,024
Rents	621	621	-	1,242
Repairs and maintenance	17,602	-	-	17,602
Utilities and telephone	29,555	2,299	985	32,839
Vehicle and travel	7,617	4,443	635	12,695
Volunteer recognition	2,012	355	-	2,367
Depreciation	59,476	6,608	-	66,084
Miscellaneous	<u>5,064</u>	<u>5,062.99</u>	<u>-</u>	<u>10,128</u>
Total	<u>\$ 450,137</u>	<u>\$ 134,152</u>	<u>\$ 103,913</u>	<u>\$ 688,202</u>

See accompanying notes

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Ronald McDonald House Charities of Amarillo, Inc. (the Organization) was formed to build and operate a facility to serve as temporary housing for children and the families of such children who travel to Amarillo, Texas, and are receiving medical treatment in Amarillo. The Organization staffs and provides a room at Northwest Texas Hospital, referred to as the Family Room, utilizing volunteers and donated goods so families have a place to relax at the hospital while being close to their child. The Organization also provides support to various organizations established and operated exclusively for charitable, scientific, or educational purposes which engage in educating or providing for needs of children or carrying on research to aid in the diagnosis and treatment of physical and mental diseases and disorders of children.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare organizations.

The Organization reports 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. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - net assets required to be maintained in perpetuity, due to donor-imposed restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specified purposes.

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All 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) on temporarily restricted support received in one year and expended in a future year, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated equipment, materials and supplies are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. Amounts reflected in the accompanying financial statements for donated services are based on the value of such services available at the date of receipt. Volunteers have donated a significant amount of time for the Organization's program services as discussed in Note 9.

Unconditional promises to give that are 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 calculated using yield rates applicable to the years in which the pledges are received and reduce the pledge amounts in the year the pledge is received. Subsequent amortization of the discounts is recorded as an increase to contribution revenue. At December 31, 2016 and 2015, the Organization had no unconditional promises to give.

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

Investment Securities

Marketable equity and all debt securities are stated at fair value as of December 31, 2016 and 2015. The realized and unrealized gains and losses on investments are recorded as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets based upon donor-imposed restrictions or applicable law.

The fair values of marketable equity and marketable debt securities are based on quoted market prices. The historical cost of money market funds and certificates of deposit approximates fair value because of the short maturity of those instruments. Fair values of notes receivable, real estate and other investments are generally estimated to approximate amortized cost.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value as of the date of donation and are depreciated in the same manner as purchased assets. The Organization capitalizes all property and equipment with a value greater than \$500. Gains or losses on dispositions of property and equipment are included in the change in net assets.

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets, as follows:

Building and improvements	30 years
Furniture, fixtures and equipment	3-8 years
Transportation equipment	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income tax in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's Federal Exempt Tax Returns for 2014, 2015, and 2016 are subject to examination by the Internal Revenue Service generally for three years after they were filed.

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Fair Value of Financial Instruments

The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. Accounts receivable and accounts payable are stated at cost, which approximates fair value, due to their short term to maturity.

NOTE 2 – PROPERTY AND EQUIPMENT

At December 31, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$4,130	\$4,130
Buildings and improvements	2,677,801	2,526,444
Furniture, fixtures and equipment	306,780	305,968
Transportation	53,793	53,793
Total, at cost	<u>3,042,504</u>	<u>2,890,335</u>
Less: accumulated depreciation	<u>(1,727,827)</u>	<u>(1,663,441)</u>
Property and equipment, net	<u>\$1,314,677</u>	<u>\$ 1,226,894</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$64,386 and \$66,084, respectively.

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS

On March 1, 1993, the Organization received a gift from Joan Kroc of 10,000 shares of McDonald's Corporation common stock valued at that date at \$496,250. The stock was sold subsequent to the gift and proceeds equal to the value of the stock at the date of gift have been included in permanently restricted net assets as the original gift is to be held in perpetuity. The income may be used for operating expenses of the Organization, but not for capital expenditures.

A \$100,000 donation from the Sybil B Harrington Living Trust was received in October, 2006 that was permanently restricted as an endowment. The earnings are available for general operations each year.

Funds in the amount of \$53,953 were from the funds raised to build the Organization's facility in 1983 that remained after construction was completed. These funds were added to the endowment due to the permanent restriction of the funds received for long-term purposes. The income is available for general operations each year.

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 4 - ENDOWMENTS

The Organization's endowment consists of funds established for the ongoing operations of the Organization. Its endowment balances include donor-restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Texas' enacted Uniform Prudent Management of Institutional Funds Act (the Act) 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 the Act. In accordance with the Act, 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 fund
- 2) The purpose of the Organization and the donor-restricted endowment fund
- 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
- 7) The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce reasonable income while preserving capital. In addition, the objective is to maintain a minimum reserve of approximately two years' operating budget excluding depreciation. Actual returns in any given year may vary from this amount.

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy that allows the Organization to appropriate any future interest or investment income generated from the fund.

Strategies Employed for Achieving Objective

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Funds with 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 required the Organization to maintain as a perpetual duration. From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets was \$6,632 as of December 31, 2015. These deficiencies resulted from unfavorable market fluctuation that occurred shortly after the investment of permanently restricted in 2015. There were no such deficiencies as of December 31, 2016.

Net asset classification by type of endowment as of December 31, 2016 and 2015 is as follows:

The following is a summary of endowment net assets composition by type of fund for both December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (6,632)	\$ -	\$ 647,203	\$ 640,571
Investment income	-	26,943	-	26,943
Net appreciation (realized and unrealized)	6,632	72,428	-	79,110
Appropriated for expenditure	-	(5,176)	-	(5,176)
Contributions	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 94,195</u>	<u>\$ 647,203</u>	<u>\$ 741,448</u>

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

The following is a summary of endowment net assets composition by type of fund for both December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 647,203	\$ 647,203
Investment income	-	22,947	-	22,947
Net depreciation (realized and unrealized)	(6,632)	(18,066)	-	(24,698)
Appropriated for expenditure	-	(4,881)	-	(4,881)
Contributions	-	-	-	-
Endowment net assets, end of year	<u>\$ (6,632)</u>	<u>\$ -</u>	<u>\$ 647,203</u>	<u>\$ 640,571</u>

NOTE 5 - INVESTMENTS

The following is a summary of the carrying and fair values of investments at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Common stock	\$ 590,297	\$ 506,016
U.S. Government	24,196	24,388
Corporate bonds and notes	154,025	147,354
Mutual funds	549,839	484,090
Municipal bonds and notes	103,415	109,814
Alternatives	92,546	90,273
Total	<u>\$ 1,514,318</u>	<u>\$ 1,361,935</u>

The following is a summary of the investment returns (losses) as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Summary of investment returns (losses):		
Interest and dividend income	\$ 54,070	\$ 42,751
Realized gains (losses) - (net)	(302)	34,061
Unrealized gains (losses)	<u>114,306</u>	<u>(116,132)</u>
Total	<u>\$ 168,074</u>	<u>\$ (39,320)</u>

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization adopted a 401(k) plan covering substantially all employees meeting minimum eligibility requirements on January 1, 1998. To become eligible, an employee must complete one year of service comprising 1,000 hours and attain age 21. Employees may elect to defer up to 15% of their annual salary. The Organization will match 50% of the first 6% of deferred salary for each participant in the plan who makes elective deferrals. During the years ended December 31, 2016 and 2015, the Organization contributed \$3,312 and \$4,864 respectively, to the plan as matching contributions.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization has various interest-bearing accounts on deposit with other financial institutions that are insured by the FDIC up to \$250,000. As of December 31, 2016 and 2015, all deposits were adequately covered by the FDIC insurance.

NOTE 8 - FAIR VALUE MEASUREMENTS

The Organization has adopted FASB's guidance on fair value measurements. The standard establishes a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available. The Organization has no Level 3 investments.

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

For the valuation of common stock and mutual funds at December 31, 2016 and 2015, the Organization used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of government mortgage-backed securities, corporate bonds and notes, municipal bonds and notes and common trust funds at December 31, 2016 and 2015, the Organization used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

There were significant transfers of Level 2 assets to Level 1 and the acquisition of new Level 1 assets during 2015 due to changes in investment advisors in 2014. There were no significant transfers between Level 1 and Level 2 assets for the years ending December 31, 2016.

Assets Measured at Fair Value on a Recurring Basis

Investments as of December 31, 2016:

		<u>Fair Value Measurements Using:</u>	
	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2016			
Investments:			
Common stock	\$ 590,297	\$ 590,297	\$ -
U.S. Government agencies	24,196	-	24,196
Corporate bonds and notes	154,025	-	154,025
Mutual funds	549,839	549,839	-
Municipal bonds and notes	92,546	-	92,546
Alternatives	103,415	-	103,415
	<u>\$ 1,514,318</u>	<u>\$1,140,136</u>	<u>\$ 374,182</u>
Total			

RONALD McDONALD HOUSE CHARITIES OF AMARILLO, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Investments as of December 31, 2015:

	<u>Fair Value Measurements Using:</u>		
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
December 31, 2015			
Investments:			
Common stock	\$ 506,016	\$ 506,016	\$ -
U.S. Government	24,388	-	24,388
Corporate bonds and notes	147,354	-	147,354
Mutual funds	484,090	484,090	-
Alternatives	90,273	-	90,273
Municipal bonds and notes	109,814	-	109,814
	<u>\$ 1,361,935</u>	<u>\$ 990,106</u>	<u>\$ 371,829</u>
Total			

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes as summarized below:

For the year ended December 31, 2016:

	<u>Temporarily Restricted Net Assets Dec. 31, 2015</u>	<u>Restricted Income During the Year</u>	<u>Restrictions Released</u>	<u>Temporarily Restricted Net Assets Dec. 31, 2016</u>
Restricted for:				
Family Room operations	\$ 5,000	-	-	\$ 5,000
Facility repairs	6,544	10,000	6,544	10,000
Total	<u>\$ 11,544</u>	<u>\$ 10,000</u>	<u>\$ 6,544</u>	<u>\$ 15,000</u>

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For the year ended December 31, 2015:

	Temporarily Restricted Net Assets Dec. 31, <u>2014</u>	Restricted Income During the <u>Year</u>	Restrictions <u>Released</u>	Temporarily Restricted Net Assets Dec. 31, <u>2015</u>
Restricted for:				
Family Room operations	\$ -	\$ 5,000	-	5,000
Facility repairs	6,544	-	-	6,544
2015 Marathon	<u>4,720</u>	<u>-</u>	<u>4,720</u>	<u>-</u>
Total	<u>\$ 11,264</u>	<u>\$ 5,000</u>	<u>\$ 4,720</u>	<u>\$ 11,544</u>

The Organization's Board has designated a portion of unrestricted net assets to be used for capital expenditures.

NOTE 10 - IN-KIND DONATIONS

Various in-kind donations were contributed to the Organization during the year. These donations have been recorded as in-kind contributions with offsetting amounts in the following asset or expense accounts:

	<u>2016</u>	<u>2015</u>
In-kind supplies	\$ 58,914	\$ 61,656
Donated property and equipment	-	5,056
Professional services	<u>3,186</u>	<u>16,475</u>
	<u>\$ 62,100</u>	<u>\$ 83,187</u>

The Organization also received contribution of service hours from volunteers. The total amount of volunteer hours for 2016 and 2015 was 10,502 and 10,055, respectively. The estimated value of these volunteer hours for 2016 and 2015 was \$253,518 and \$231,968 respectively. These values were determined from the average hourly wage for nonagricultural workers established by the Economic Report of the President. They are not included in the statement of activities, because they do not require a specialized skill as required by accounting principles generally accepted in the United States of America.

The Organization has the use throughout the year for space at a local hospital for family use. The estimated fair market value of the donated space is \$35,000. Also in 2016, the

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organization had the use of a facility for a fundraising event with an estimated value of \$1,000.

NOTE 11 - SUBSEQUENT EVENT

The Organization evaluated subsequent events through July 31, 2017, the date the financial statements were available to be issued.