

**RONALD McDONALD HOUSE CHARITIES
OF CENTRAL OHIO, INC.**

FINANCIAL STATEMENTS

December 31, 2016 and 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities and Changes in Net Assets.....	4
Statements of Functional Expense.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ronald McDonald House Charities of Central Ohio, Inc.:

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Ohio, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, 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 of material misstatement.

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

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

Opinion

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

A handwritten signature in cursive script that reads 'Whalen & Company CPAs'.

Whalen & Company, CPAs
Worthington, Ohio

March 20, 2017

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,438,225	\$ 3,503,394
Accounts receivable	200,217	148,158
Current portion of contributions receivable	675,618	905,521
Investments - unrestricted	3,131,341	1,928,899
Investments - Columbus Foundation	75,830	68,095
Prepaid expense	13,132	4,725
Deposits	<u>2,250</u>	<u>1,350</u>
TOTAL CURRENT ASSETS	7,536,613	6,560,142
PROPERTY AND EQUIPMENT		
Buildings and leasehold improvements	16,595,874	16,497,637
Equipment	501,458	459,195
Furniture and fixtures	2,564,516	2,561,517
Vehicles	<u>17,512</u>	<u>17,512</u>
TOTAL PROPERTY AND EQUIPMENT	19,679,360	19,535,861
Less: accumulated depreciation	<u>(4,897,428)</u>	<u>(4,053,936)</u>
NET PROPERTY AND EQUIPMENT	14,781,932	15,481,925
Contributions receivable, net of current portion	439,896	814,841
Beneficial use of land	492,788	519,599
Investments - restricted	<u>1,179,945</u>	<u>1,027,414</u>
TOTAL ASSETS	<u><u>\$ 24,431,174</u></u>	<u><u>\$ 24,403,921</u></u>

See accompanying notes and independent auditor's report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 39,237	\$ 47,438
Accounts payable - related party	15,897	16,578
Accrued expenses	373,191	403,355
Deferred revenue	17,400	70,211
Current portion of long-term debt	500,000	500,000
TOTAL CURRENT LIABILITIES	945,725	1,037,582
Long-term debt, net of current portion	380,000	880,000
TOTAL LIABILITIES	1,325,725	1,917,582
NET ASSETS		
Unrestricted	18,935,110	18,189,552
Unrestricted - Board Designated	846,888	646,434
Temporarily restricted	2,142,608	2,516,274
Permanently restricted	1,180,843	1,134,079
TOTAL NET ASSETS	23,105,449	22,486,339
TOTAL LIABILITIES AND NET ASSETS	\$ 24,431,174	\$ 24,403,921

See accompanying notes and independent auditor's report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Public support:				
Contributions	\$ 2,230,545	\$ 155,800	\$ -	\$ 2,386,345
Contributions, in-kind	826,546	-	-	826,546
Canister contributions	295,184	-	-	295,184
Vehicle donations	122,561	-	-	122,561
Room donations	247,270	-	-	247,270
Special events:				
Proceeds	1,037,094	-	-	1,037,094
Less: costs of direct benefits to donors	(182,767)	-	-	(182,767)
Gain/(loss) on disposal of assets	557	-	-	557
Net assets released from restrictions	529,466	(529,466)	-	-
TOTAL REVENUE AND SUPPORT	5,106,456	(373,666)	-	4,732,790
EXPENSES				
Program services	3,159,614	-	-	3,159,614
Support services:				
Management and general	266,939	-	-	266,939
Fundraising	826,768	-	-	826,768
Payments to RMHC Global	63,626	-	-	63,626
TOTAL EXPENSES	4,316,947	-	-	4,316,947
CHANGE IN NET ASSETS FROM OPERATIONS	789,509	(373,666)	-	415,843
INVESTMENT INCOME, NET				
Net realized and unrealized gain (loss) on investments	75,844	-	46,764	122,608
Interest and dividend income	80,659	-	-	80,659
	<u>156,503</u>	<u>-</u>	<u>46,764</u>	<u>203,267</u>
CHANGE IN NET ASSETS	946,012	(373,666)	46,764	619,110
NET ASSETS, BEGINNING OF YEAR	18,835,986	2,516,274	1,134,079	22,486,339
NET ASSETS, END OF YEAR	<u>\$ 19,781,998</u>	<u>\$ 2,142,608</u>	<u>\$ 1,180,843</u>	<u>\$ 23,105,449</u>

See accompanying notes and independent auditor's statement

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Public support:				
Contributions	\$ 1,818,225	\$ 65,847	\$ -	\$ 1,884,072
Contributions, in-kind	429,537	-	-	429,537
Canister contributions	336,205	-	-	336,205
Vehicle donations	115,489	-	-	115,489
Room donations	220,661	-	-	220,661
Special events:				
Proceeds	834,915	-	-	834,915
Less: costs of direct benefits to donors	(144,191)	-	-	(144,191)
Gain/(loss) on disposal of assets	(1,523)	-	-	(1,523)
Net assets released from restrictions	603,025	(603,025)	-	-
TOTAL REVENUE AND SUPPORT	<u>4,212,343</u>	<u>(537,178)</u>	<u>-</u>	<u>3,675,165</u>
EXPENSES				
Program services	2,679,616	-	-	2,679,616
Support services:				
Management and general	278,146	-	-	278,146
Fundraising	737,827	-	-	737,827
Payments to RMHC Global	73,085	-	-	73,085
TOTAL EXPENSES	<u>3,768,674</u>	<u>-</u>	<u>-</u>	<u>3,768,674</u>
CHANGE IN NET ASSETS FROM OPERATIONS	443,669	(537,178)	-	(93,509)
INVESTMENT INCOME, NET				
Net realized and unrealized gain (loss) on investments	(55,792)	-	(10,276)	(66,068)
Interest and dividend income	52,374	-	-	52,374
	<u>(3,418)</u>	<u>-</u>	<u>(10,276)</u>	<u>(13,694)</u>
CHANGE IN NET ASSETS	440,251	(537,178)	(10,276)	(107,203)
NET ASSETS, BEGINNING OF YEAR	<u>18,395,735</u>	<u>3,053,452</u>	<u>1,144,355</u>	<u>22,593,542</u>
NET ASSETS, END OF YEAR	<u>\$ 18,835,986</u>	<u>\$ 2,516,274</u>	<u>\$ 1,134,079</u>	<u>\$ 22,486,339</u>

See accompanying notes and independent auditor's report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSE

For the Year Ended December 31, 2016

	Program Services				Supporting Services		
	Ronald McDonald House	Ronald McDonald Care Mobile	Grants	Total	Management and General	Fundraising	Total
Salaries	\$ 925,618	\$ 20,905	\$ -	\$ 946,523	\$ 114,090	\$ 527,488	\$ 1,588,101
Employee Health and Retirement Benefits	140,422	3,844	-	144,266	22,115	92,330	258,711
Payroll Taxes	61,692	1,429	-	63,121	8,005	35,955	107,081
Total Salaries and Related	<u>1,127,732</u>	<u>26,178</u>	-	<u>1,153,910</u>	<u>144,210</u>	<u>655,773</u>	<u>1,953,893</u>
Expenses							
Automobile Expenses	379	-	-	379	-	88	467
Depreciation	815,933	-	-	815,933	15,948	13,701	845,582
Donor Recognition	-	-	-	-	-	4,300	4,300
Grants	-	-	-	-	-	-	-
House Supplies	749,357	-	-	749,357	-	-	749,357
Insurance	35,577	-	-	35,577	5,004	-	40,581
Interest	21,373	-	-	21,373	675	450	22,498
Linens and Laundry	4,696	-	-	4,696	-	-	4,696
Maintenance and Repair	34,580	-	-	34,580	-	-	34,580
Meetings, Training, and Seminars	200	-	-	200	-	5,158	5,358
Office Supplies	271	-	-	271	564	719	1,554
Other Expenses	72,862	-	-	72,862	77,332	66,984	217,178
Postage	-	-	-	-	360	286	646
Printing and Publishing	1,722	-	-	1,722	1,540	14,700	17,962
Professional Fees	-	58,000	-	58,000	15,847	53,763	127,610
Rent	42,512	-	-	42,512	-	-	42,512
Technology	1,232	-	-	1,232	-	4,497	5,729
Telephone	4,536	-	-	4,536	600	1,050	6,186
Travel, Meals, and Entertainment	66	-	-	66	134	2,212	2,412
Utilities	146,897	-	-	146,897	4,631	3,087	154,615
Volunteer Recognition	15,511	-	-	15,511	94	-	15,605
	<u>\$ 3,075,436</u>	<u>\$ 84,178</u>	<u>\$ -</u>	<u>\$ 3,159,614</u>	<u>\$ 266,939</u>	<u>\$ 826,768</u>	
Unallocated payments to RMHC Global							<u>63,626</u>
TOTAL EXPENSES							<u>\$ 4,316,947</u>

See accompanying notes and independent auditor's report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSE

For The Year Ended December 31, 2015

	Program Services				Supporting Services		
	Ronald McDonald House	Ronald McDonald Care Mobile	Grants	Total	Management and General	Fundraising	Total
Salaries	\$ 863,116	\$ 21,104	\$ -	\$ 884,220	\$ 116,908	\$ 453,590	\$ 1,454,718
Employee Health and Retirement Benefits	127,711	3,724	-	131,435	24,191	77,901	233,527
Payroll Taxes	57,202	1,360	-	58,562	7,507	29,538	95,607
Total Salaries and Related	<u>1,048,029</u>	<u>26,188</u>	<u>-</u>	<u>1,074,217</u>	<u>148,606</u>	<u>561,029</u>	<u>1,783,852</u>
Expenses							
Automobile Expenses	257	-	-	257	-	178	435
Depreciation	831,115	-	-	831,115	17,153	10,156	858,424
Donor Recognition	-	-	-	-	-	4,992	4,992
Grants	-	-	-	-	-	-	-
House Supplies	324,910	-	-	324,910	-	-	324,910
Insurance	34,148	-	-	34,148	7,594	-	41,742
Interest	26,477	-	-	26,477	836	557	27,870
Linens and Laundry	5,643	-	-	5,643	-	-	5,643
Maintenance and Repair	43,258	-	-	43,258	291	412	43,961
Meetings, Training, and Seminars	4,137	-	-	4,137	3,532	5,648	13,317
Office Supplies	812	-	-	812	716	1,786	3,314
Other Expenses	64,580	-	-	64,580	72,664	64,379	201,623
Postage	14	-	-	14	11	352	377
Printing and Publishing	1,940	-	-	1,940	2,280	9,586	13,806
Professional Fees	-	58,000	-	58,000	15,809	66,780	140,589
Rent	42,512	-	-	42,512	-	-	42,512
Technology	1,301	-	-	1,301	30	4,268	5,599
Telephone	5,610	-	-	5,610	962	1,407	7,979
Travel, Meals, and Entertainment	122	52	-	174	1,621	3,247	5,042
Utilities	148,129	-	-	148,129	4,626	3,050	155,805
Volunteer Recognition	12,382	-	-	12,382	1,415	-	13,797
	<u>\$ 2,595,376</u>	<u>\$ 84,240</u>	<u>\$ -</u>	<u>\$ 2,679,616</u>	<u>\$ 278,146</u>	<u>\$ 737,827</u>	
Unallocated payments to RMHC Global							<u>73,085</u>
TOTAL EXPENSES							<u>\$ 3,768,674</u>

See accompanying notes and independent auditor's report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 619,110	\$ (107,203)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	845,582	858,424
Net realized and unrealized (gain) loss on investments	(122,608)	66,068
Amortization of land use asset	26,811	26,157
Loss on sale of assets	(557)	1,523
Contribution of property and equipment	-	(34,944)
(Increase) decrease in operating assets:		
Accounts receivable	(52,059)	(86,103)
Contributions receivable	604,848	554,656
Prepaid expense	(8,407)	(4,725)
Deposits	(900)	400
Increase (decrease) in operating liabilities:		
Accounts payable	(8,201)	237,347
Accounts payable - related party	(681)	2,336
Deferred revenue	(52,811)	54,902
Accrued expenses	(30,164)	(151,794)
NET CASH FROM OPERATING ACTIVITIES	<u>1,819,963</u>	<u>1,417,044</u>
INVESTING ACTIVITIES		
Proceeds from sale of assets	8,998	18,429
Purchase of property and equipment	(154,030)	(144,521)
Proceeds from sale (purchase) of investments, net	(1,240,100)	(560,679)
NET CASH FROM INVESTING ACTIVITIES	<u>(1,385,132)</u>	<u>(686,771)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(500,000)	(500,000)
NET CASH FROM BY FINANCING ACTIVITIES	<u>(500,000)</u>	<u>(500,000)</u>
NET CHANGE IN CASH	(65,169)	230,273
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,503,394</u>	<u>3,273,121</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,438,225</u>	<u>\$ 3,503,394</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 22,498</u>	<u>\$ 27,870</u>

See accompanying notes and independent auditor's report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Central Ohio, Inc. (the Organization) is an Ohio not-for-profit corporation. The Internal Revenue Service has issued a ruling stating that The Organization qualifies as a public charity under Section 509(a)(1) of the Internal Revenue Code, and, as such, is exempt from federal income taxation under Section 501(c)(3).

The Ronald McDonald House provides a "home-away-from-home" for families of seriously ill children receiving medical treatment and staying at nearby hospitals. The Organization receives its funding from the general public in the form of contributions of cash, goods and services.

The Ronald McDonald Care Mobile is a state-of-the-art pediatric clinic on wheels staffed by doctors and nurses from Nationwide Children's Hospital. It was designed to meet the specific well-care and treatment needs of children and provides services at little or no cost to the patient. Working in partnership with community health care leaders, the Care Mobile eases financial and geographic barriers to health care access.

Basis of Presentation

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

Estimates

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

Concentrations of Credit Risk

The Organization maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits of \$250,000.

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

The Organization has significant investments in stocks, bonds, and mutual funds and is therefore subject to credit risk. Investments are managed by outside firms to maximize returns within the Organization's investment policies. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policies are prudent for the long-term welfare of the Organization and its beneficiaries

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash Equivalents

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable are written off when deemed uncollectible.

Contributions Receivable

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

Contributions receivable are stated net of an allowance for doubtful accounts. The organization establishes an allowance for uncollectable pledges based upon factors surrounding the credit risk of specific donors, historical trends, and other information. The allowance for uncollectable pledges was \$6,800 and \$6,800 at December 31, 2016 and 2015.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

Investments

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

The Organization maintains master investment accounts for its donor-restricted and board designated endowments.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Life</u>
Building and leasehold improvements	39 years
Equipment	3-10 years
Furniture & Fixtures	4-10 years
Vehicles	5 years

Impairment of Long-Lived Assets

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

Donated Assets, Property and Equipment, and Services

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

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

Deferred Revenue

Income from sponsorships received in advance of future special events is deferred and recognized over the periods to which the sponsorships relate. At December 31, 2016 and 2015, the organization had received prepayments in the amount of \$17,400 and \$70,211 respectively.

Net Assets

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

Unrestricted – Net assets that are not subject to donor-imposed restrictions or law.

Unrestricted – Board Designated – represent unrestricted funds that have been designated by the Board of Directors for specific purposes. See Note 8.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Revenue Recognition

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

Expense Allocation

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

Income Taxes

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

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

The federal income tax returns of the Organization are subject to examination by the Internal Revenue Service, generally for three years after the filing date. Tax years 2015, 2014, and 2013 remain subject to examination.

NOTE 2 - CONTRIBUTIONS RECEIVABLE – CAPITAL CAMPAIGN

The Organization has received various multi-year pledges for the construction and support of its facility. Pledges receivable are reported in the statement of financial position at fair value. Pledges recognized as contribution revenue in 2016 and 2015 were \$25,800 and \$65,847, respectively.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - CONTRIBUTIONS RECEIVABLE – CAPITAL CAMPAIGN – CONTINUED

Estimated collections on outstanding pledges are as follows at December 31:

	<u>2016</u>	<u>2015</u>
Current - less than one year	\$ 675,618	\$ 905,521
Noncurrent - one to five years	473,296	874,041
Less: allowance for uncollectible	(6,800)	(6,800)
Less: unamortized discount	<u>(26,600)</u>	<u>(52,400)</u>
Total noncurrent	<u>439,896</u>	<u>814,841</u>
Total contributions receivable	<u>\$ 1,115,514</u>	<u>\$ 1,720,362</u>

Contributions receivable with due dates extending beyond one year are discounted using rates for similar term investments. The rate at December 31, 2016 was 2.50%.

Capital campaign pledges are pledged as collateral against the Organization's long-term debt. See Note 6.

NOTE 3 - FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

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

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

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - FAIR VALUE MEASUREMENTS – CONTINUED

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

	<u>Cost</u>	<u>Fair Value</u>	Fair Value Measurement at December 31, 2016 Using		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 2,215,466	\$ 2,857,312	\$ 2,857,312	\$ -	\$ -
Fixed income securities	1,287,066	1,268,241	1,268,241	-	-
Real estate funds	90,786	103,587	103,587	-	-
Commodities funds	<u>87,162</u>	<u>82,146</u>	<u>82,146</u>	-	-
Total Investments	<u>\$ 3,680,480</u>	4,311,286	4,311,286	-	-
Beneficial Interests in Assets Held by Others		<u>75,830</u>	<u>75,830</u>	-	-
Total		<u>\$ 4,387,116</u>	<u>\$ 4,387,116</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Cost</u>	<u>Fair Value</u>	Fair Value Measurement at December 31, 2015 Using		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 1,955,805	\$ 2,481,476	\$ 2,481,476	\$ -	\$ -
Fixed income securities	356,458	348,635	348,635	-	-
Real estate funds	31,778	43,852	43,852	-	-
Commodities funds	<u>87,162</u>	<u>82,350</u>	<u>82,350</u>	-	-
Total Investments	<u>\$ 2,431,203</u>	2,956,313	2,956,313	-	-
Beneficial Interests in Assets Held by Others		<u>68,095</u>	<u>68,095</u>	-	-
Total		<u>\$ 3,024,408</u>	<u>\$ 3,024,408</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of the Organization's investments at December 31, 2016 and 2015 are summarized as follows:

<u>2016</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Equity securities	\$ 2,121,211	\$ 811,931	\$ 2,933,142
Fixed income securities	967,050	301,191	1,268,241
Real estate funds	62,322	41,265	103,587
Commodities funds	<u>56,588</u>	<u>25,558</u>	<u>82,146</u>
	<u>\$ 3,207,171</u>	<u>\$ 1,179,945</u>	<u>\$ 4,387,116</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - FAIR VALUE MEASUREMENTS – CONTINUED

2015

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Equity securities	\$ 1,704,409	\$ 845,162	\$ 2,549,571
Fixed income securities	203,745	144,890	348,635
Real estate funds	31,892	11,960	43,852
Commodities funds	<u>56,948</u>	<u>25,402</u>	<u>82,350</u>
	<u>\$ 1,996,994</u>	<u>\$ 1,027,414</u>	<u>\$ 3,024,408</u>

Scheduled maturities of fixed income securities as of December 31, 2016 are as follows:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Less than one year	\$ 628,571	\$ 639,670	\$ 1,268,241
One to five years	-	-	-
Six to ten years	-	-	-
	<u>\$ 628,571</u>	<u>\$ 639,670</u>	<u>\$ 1,268,241</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Equity securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at net asset value (NAV) of shares held at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment income is composed of the following for the years ending December 31, 2016 and 2015:

2016

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 80,659	\$ -	\$ 80,659
Realized gain (loss)	(9,577)	19,178	9,601
Unrealized gain (loss)	<u>85,421</u>	<u>27,586</u>	<u>113,007</u>
	<u>\$ 156,503</u>	<u>\$ 46,764</u>	<u>\$ 203,267</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - FAIR VALUE MEASUREMENTS – CONTINUED

<u>2015</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 52,374	\$ -	\$ 52,374
Realized gain (loss)	13,019	19,178	29,686
Unrealized gain (loss)	<u>(68,811)</u>	<u>(26,943)</u>	<u>(95,754)</u>
	<u>\$ (3,418)</u>	<u>\$ (10,276)</u>	<u>\$ (13,694)</u>

For the years ended December 31, 2016 and 2015, the Organization was in compliance with its stated investment policies.

NOTE 4 - BENEFICIAL USE OF LAND

On March 15, 2007, the Organization entered into an “Agreement Regarding Ground Lease Termination” with Nationwide Children’s Hospital (the Hospital). The terms of the agreement stated the Hospital would buy-out the current lease with the Organization and the building located at 555 Children’s Drive for \$12,050,000 (buy-out price). At closing, \$1,000,000 of the buy-out price was deposited with Huntington National Bank and applied against the Organization’s outstanding principal balance due on long-term debt the organization has since paid off. The remaining balance was deposited with an escrow agent to pay for costs associated with the construction of a new Ronald McDonald house on real property owned by the Hospital. The Organization was entitled to the interest earned on the funds held in the escrow account. In accordance with the agreement, the Organization could continue to use the existing facility during the construction of the new building, which was completed in 2008.

In addition, the Organization entered into a “Ground Lease Agreement” with the Hospital for a term ending on the twenty-fifth (25th) anniversary of the date of occupancy in the newly constructed Ronald McDonald house. The Organization has an option to extend the lease for an additional twenty-five (25) years near the conclusion of the initial lease term. The Organization will pay the Hospital \$12 annually for use and occupancy of the real property. The annual rental value was estimated to be approximately \$38,830 per year. In connection with this lease agreement, the Organization discounted the value of the 25-year initial term of the lease using a discount rate of approximately 2.5%, and recorded a restricted contribution. The value remaining on the use of land as of December 31, 2016 and 2015 is \$492,788 and \$519,599, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2016 and 2015, donated rent expense of \$42,500, which consist of the annual land lease of \$38,860 and the annual use of parking and security of \$3,640, was recorded in connection with this lease agreement.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

A donor has established a fund with Community Foundation of Mount Vernon & Knox County for the benefit of the Organization. The Organization does not control the fund, but may request periodic distributions, subject to the foundation board’s approval. Because the Organization does not control this fund, it has not been recorded in the accompanying financial statements.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 - NOTE PAYABLE

In 2014, the Organization obtained a term note payable to a bank to finance new construction at their facility. The note can be drawn upon for construction of the facility up to \$3,250,000. The note matures June 30, 2019. Interest on the note is payable monthly over the term of the note with an interest rate equal to the 30-day LIBO rate plus 150 basis points. The note calls for principal balance reductions starting June 30, 2015 and occurring yearly thereafter until maturity. The note is secured by the capital campaign pledges and substantially all assets of the Organization. The note payable balance as of December 31, 2016 was \$880,000.

Future maturities of the long-term debt are as follows:

2017	\$ 500,000
2018	<u>380,000</u>
Total	<u>\$ 880,000</u>

NOTE 7 - ENDOWMENT FUNDS

Endowment net assets consist of donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restricted funds.

The Organization received 10,000 shares of McDonald's common stock from a donor to create an endowment in 1993. The donor agreement states that the Organization may sell the stock and invest the proceeds to maximize income. The Organization chose to sell the original shares of stock and received \$500,000 that has been invested in accordance with its investment policies.

The agreement further states that the interest and dividend income may be used as needed for operating expenses of the Organization and the capital gains and losses, as well as appreciation and depreciation in the asset values are to be maintained in the endowment.

Absent explicit donor stipulations to the contrary, the board of trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general 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.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 - ENDOWMENT FUNDS – CONTINUED

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the board of trustees, for endowment assets. Those policies 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 and debt securities, 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. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 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 prevent exposing the fund to unacceptable levels of risk.

Spending Policy. The Organization does not have a formal spending policy. Appropriation of funds is at the discretion of the board of directors provided that donor stipulations are met.

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 1,180,843	\$ 1,180,843

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ -	\$ -	\$ 1,134,079	\$ 1,134,079
Investment return:				
Investment income	23,982	-	-	23,982
Net appreciation - realized and unrealized	-	-	46,764	46,764
Total investment return	23,982	-	46,764	70,746
Contributions	-	-	-	-
Appropriations of assets for expenditure	(23,982)	-	-	(23,982)
Endowment net assets – end of year	\$ -	\$ -	\$ 1,180,843	\$ 1,180,843

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 - ENDOWMENT FUNDS – CONTINUED

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ <u> -</u>	\$ <u> -</u>	\$ <u>1,134,079</u>	\$ <u>1,134,079</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ -	\$ -	\$ 1,144,355	\$ 1,144,355
Investment return:				
Investment income	22,367	-	-	22,367
Net appreciation - realized and unrealized	<u> -</u>	<u> -</u>	<u>(10,276)</u>	<u>(10,276)</u>
Total investment return	23,982	-	(10,276)	12,091
Contributions	-	-	-	-
Appropriations of assets for expenditure	<u>(22,367)</u>	<u> -</u>	<u> -</u>	<u>(22,367)</u>
Endowment net assets – end of year	\$ <u> -</u>	\$ <u> -</u>	\$ <u>1,134,079</u>	\$ <u>1,134,079</u>

NOTE 8 - RESTRICTIONS ON NET ASSETS

Unrestricted – Board Designated – the Organization’s Board has designated unrestricted net assets for the following purposes as of December 31, 2016:

	2016	2015
Equipment Replacement Reserve	\$ 771,058	\$ 578,339
Future Needs of Charity	<u>75,830</u>	<u>68,095</u>
Total Unrestricted – Board Designated	\$ <u>846,888</u>	\$ <u>646,434</u>

Temporarily Restricted – temporarily restricted net assets as of December 31, 2016 and 2015 of the following:

	2016	2015
Contributions designated by Donors for facility expansion	\$ 1,649,820	\$ 1,996,675
Right to future land use	<u>492,788</u>	<u>519,599</u>
Total Temporarily Restricted	\$ <u>2,142,608</u>	\$ <u>2,516,274</u>

Permanently Restricted – permanently restricted net assets were \$1,180,843 and \$1,134,079 at December 31, 2016 and 2015, respectively. The earnings on these assets are available for operating expenses of the Organization.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - DONATED GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense and fixed assets categories in 2016 and 2015 were \$826,546 and \$429,537, respectively.

	2016	2015
House Supplies	\$ 693,482	\$ 290,129
Cable TV	12,371	12,371
IT Services	40,000	40,000
House Services	39,204	35,750
Fixed Assets	25,800	34,944
Rent NCH	42,500	42,500
Amortization for beneficial use of land	(26,811)	(26,157)
Total	\$ 826,546	\$ 429,537

NOTE 10 - TRANSACTIONS WITH RELATED ENTITIES

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

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered non-profit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement.

At December 31, 2016 and 2015, the Organization owed RMHC Global \$15,897 and \$16,578, respectively, for these collected revenues.

During 2009 the employees of the Organization became employees of Nationwide Children's Hospital. As such, employees are eligible to participate in Nationwide Children's Hospital benefit plans. The organization reimburses Nationwide Children's Hospital for the employees' wages and related taxes and benefits. The total reimbursed employee expense paid during 2016 and 2015 was \$1,953,893 and \$1,783,852, respectively.

NOTE 11 - COMMITMENTS

During 2010, the Organization entered into an agreement with the Hospital to provide support for the Ronald McDonald Care Mobile Program. In the agreement, the Organization agrees to contribute to the Hospital, in the form of cash, property or in kind contributions, an amount equal to not less than 20% of the annual expenses incurred in operating the Ronald McDonald Care Mobile. The Organization provided \$84,178 and \$84,240 in support of the Care Mobile for the years ended December 31, 2016 and 2015, respectively.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 12 - SUBSEQUENT EVENTS

Management evaluated subsequent events through March 20, 2017, the date the financial statements were available to be issued.

In December 2016, the Organization entered into a ten-year lease agreement with Riverside Methodist Hospital ("Riverside) for space to provide a family respite room for the families of seriously ill children. This lease is scheduled to commence in 2017, upon completion of the construction and occupancy of the space. In addition to this operating lease, the Organization and Riverside have agreed to share certain expenses necessary for the operation of the family respite room as outlined in the agreement.