

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.

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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Atlanta Ronald McDonald House Charities, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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 Atlanta Ronald McDonald House Charities, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note C to the financial statements, beginning unrestricted and total net assets as of January 1, 2014 have been restated to reflect a prior period adjustment to properly classify professional consulting services relating to the capital campaign. The Organization also restated the capital expansion in progress, ending unrestricted and total net assets for the year ended December 31, 2014. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of scholarships granted on page 26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Atlanta, Georgia

July 6, 2016

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,242,900	\$ 207,195	\$ -	\$ 4,450,095
Certificates of deposit	-	8,780	-	8,780
Contributions receivable	150,502	-	-	150,502
Pledges receivable	-	2,580,994	-	2,580,994
Prepaid expenses	6,759	-	-	6,759
Loan costs, net	29,965	-	-	29,965
Investments, at fair value	-	2,796,519	610,750	3,407,269
Property and equipment, net	<u>31,047,502</u>	<u>-</u>	<u>-</u>	<u>31,047,502</u>
 Total assets	<u>\$ 35,477,628</u>	<u>\$ 5,593,488</u>	<u>\$ 610,750</u>	<u>\$ 41,681,866</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 1,120,404	\$ -	\$ -	\$ 1,120,404
Deferred revenue	13,000	-	-	13,000
Pledge payable	1,360,500	-	-	1,360,500
Note payable	<u>1,204,702</u>	<u>-</u>	<u>-</u>	<u>1,204,702</u>
 Total liabilities	<u>3,698,606</u>	<u>-</u>	<u>-</u>	<u>3,698,606</u>
 <u>NET ASSETS</u>				
Unrestricted	31,779,022	-	-	31,779,022
Temporarily restricted	-	5,593,488	-	5,593,488
Permanently restricted	<u>-</u>	<u>-</u>	<u>610,750</u>	<u>610,750</u>
 Total net assets	<u>31,779,022</u>	<u>5,593,488</u>	<u>610,750</u>	<u>37,983,260</u>
 Total liabilities and net assets	<u>\$ 35,477,628</u>	<u>\$ 5,593,488</u>	<u>\$ 610,750</u>	<u>\$ 41,681,866</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

	<u>Unrestricted, As Restated</u>	<u>Temporarily Restricted, As Restated</u>	<u>Permanently Restricted, As Restated</u>	<u>Total, As Restated</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,395,251	\$ 10,158,988	\$ -	\$ 13,554,239
Certificates of deposit	-	26,051	-	26,051
Contributions receivable	106,570	-	-	106,570
Pledges receivable	-	5,399,352	-	5,399,352
Prepaid expenses	25,276	-	-	25,276
Loan costs, net	37,782	-	-	37,782
Investments, at fair value	-	1,545,557	496,250	2,041,807
Property and equipment, net	13,356,416	-	-	13,356,416
Capital expansion in progress	<u>4,132,624</u>	<u>-</u>	<u>-</u>	<u>4,132,624</u>
 Total assets	 <u>\$ 21,053,919</u>	 <u>\$ 17,129,948</u>	 <u>\$ 496,250</u>	 <u>\$ 38,680,117</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 982,255	\$ -	\$ -	\$ 982,255
Deferred revenue	9,750	-	-	9,750
Note payable	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
 Total liabilities	 <u>992,105</u>	 <u>-</u>	 <u>-</u>	 <u>992,105</u>
 <u>NET ASSETS</u>				
Unrestricted	20,061,814	-	-	20,061,814
Temporarily restricted	-	17,129,948	-	17,129,948
Permanently restricted	<u>-</u>	<u>-</u>	<u>496,250</u>	<u>496,250</u>
 Total net assets	 <u>20,061,814</u>	 <u>17,129,948</u>	 <u>496,250</u>	 <u>37,688,012</u>
 Total liabilities and net assets	 <u>\$ 21,053,919</u>	 <u>\$ 17,129,948</u>	 <u>\$ 496,250</u>	 <u>\$ 38,680,117</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 2,033,227	\$ 213,578	\$ 114,500	\$ 2,361,305
Special events revenue	1,274,438	-	-	1,274,438
Less: direct benefit cost	<u>414,940</u>	<u>-</u>	<u>-</u>	<u>414,940</u>
Special events revenue, net	859,498	-	-	859,498
Room rental	71,712	-	-	71,712
Donated assets and services	464,409	-	-	464,409
Net assets released from restrictions	<u>11,787,638</u>	<u>(11,787,638)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>15,216,484</u>	<u>(11,574,060)</u>	<u>114,500</u>	<u>3,756,924</u>
<u>EXPENSES</u>				
Program	2,248,786	-	-	2,248,786
Supporting services:				
General and administrative	320,707	-	-	320,707
Fundraising	851,853	-	-	851,853
Unallocated payments to National Organization	<u>77,930</u>	<u>-</u>	<u>-</u>	<u>77,930</u>
Total expenses	<u>3,499,276</u>	<u>-</u>	<u>-</u>	<u>3,499,276</u>
Change in net assets from operations	11,717,208	(11,574,060)	114,500	257,648
Investment income, net	<u>-</u>	<u>37,600</u>	<u>-</u>	<u>37,600</u>
Change in net assets	11,717,208	(11,536,460)	114,500	295,248
Net assets at beginning of year	<u>20,061,814</u>	<u>17,129,948</u>	<u>496,250</u>	<u>37,688,012</u>
Net assets at end of year	<u>\$ 31,779,022</u>	<u>\$ 5,593,488</u>	<u>\$ 610,750</u>	<u>\$ 37,983,260</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUE AND OTHER SUPPORT</u>				
Contributions	\$ 2,061,198	\$ 10,945,545	\$ -	\$ 13,006,743
Special events revenue	1,367,148	-	-	1,367,148
Less: direct benefit cost	<u>533,111</u>	<u>-</u>	<u>-</u>	<u>533,111</u>
Special events revenue, net	834,037	-	-	834,037
Room rental	61,534	-	-	61,534
Donated assets and services	789,400	-	-	789,400
Net assets released from restrictions	<u>2,831,789</u>	<u>(2,831,789)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>6,577,958</u>	<u>8,113,756</u>	<u>-</u>	<u>14,691,714</u>
<u>EXPENSES</u>				
Program	2,919,838	-	-	2,919,838
Supporting services:				
General and administrative	283,569	-	-	283,569
Fundraising	676,011	-	-	676,011
Unallocated payments to National Organization	<u>71,979</u>	<u>-</u>	<u>-</u>	<u>71,979</u>
Total expenses	<u>3,951,397</u>	<u>-</u>	<u>-</u>	<u>3,951,397</u>
Change in net assets from operations	2,626,561	8,113,756	-	10,740,317
Investment income, net	<u>-</u>	<u>104,858</u>	<u>-</u>	<u>104,858</u>
Change in net assets	<u>2,626,561</u>	<u>8,218,614</u>	<u>-</u>	<u>10,845,175</u>
Net assets at beginning of year, as originally stated	17,567,253	8,911,334	496,250	26,974,837
Prior period adjustment	<u>(132,000)</u>	<u>-</u>	<u>-</u>	<u>(132,000)</u>
Net assets at beginning of year, as restated	<u>17,435,253</u>	<u>8,911,334</u>	<u>496,250</u>	<u>26,842,837</u>
Net assets at end of year, as restated	<u>\$ 20,061,814</u>	<u>\$ 17,129,948</u>	<u>\$ 496,250</u>	<u>\$ 37,688,012</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services				General and Administrative	Fundraising	Total
	House Operations	Grant Making	Care Mobile	Total			
Employee costs	\$ 557,310	\$ 49,915	\$ 12,500	\$ 619,725	\$ 93,760	\$ 352,489	\$ 1,065,974
Scholarships granted	-	156,500	-	156,500	-	-	156,500
Indirect fundraising	-	-	-	-	48,250	92,478	140,728
Public relations	-	-	-	-	-	183,765	183,765
Interest	-	-	-	-	1,966	-	1,966
Depreciation and amortization	556,777	-	-	556,777	10,498	50,112	617,387
Cleaning service and supplies	121,491	-	-	121,491	-	-	121,491
House supplies	17,618	-	-	17,618	-	-	17,618
Utilities	143,178	-	-	143,178	-	-	143,178
Maintenance and repair	136,705	-	-	136,705	-	-	136,705
Insurance	33,720	-	-	33,720	8,828	-	42,548
Payroll taxes	39,900	3,780	-	43,680	6,570	24,597	74,847
Bank charges	-	-	-	-	32,852	-	32,852
Office supplies	9,443	-	-	9,443	28,797	19,587	57,827
Telephone	56,476	-	-	56,476	-	-	56,476
Employee benefits	93,825	5,206	-	99,031	-	39,101	138,132
Donor recognition	10,885	-	-	10,885	-	944	11,829
Technology	-	-	-	-	43,651	-	43,651
Professional fees	47,896	-	-	47,896	-	-	47,896
Travel, meals and entertainment	-	1,387	-	1,387	-	-	1,387
Postage	-	-	-	-	10,903	-	10,903
Direct mail	-	-	-	-	-	88,780	88,780
Linens and laundry	13,846	-	-	13,846	-	-	13,846
Meeting/Training/ Seminars	-	-	-	-	24,891	-	24,891
Printing and publishing	19,273	-	-	19,273	3,826	-	23,099
Volunteer recognition	-	-	-	-	5,915	-	5,915
Automobile expense	4,248	-	-	4,248	-	-	4,248
	<u>1,862,591</u>	<u>216,788</u>	<u>12,500</u>	<u>2,091,879</u>	<u>320,707</u>	<u>851,853</u>	<u>3,264,439</u>
Total expenses before donated services							
Donated services	<u>156,907</u>	<u>-</u>	<u>-</u>	<u>156,907</u>	<u>-</u>	<u>-</u>	<u>156,907</u>
	<u>\$ 2,019,498</u>	<u>\$ 216,788</u>	<u>\$ 12,500</u>	<u>\$ 2,248,786</u>	<u>\$ 320,707</u>	<u>\$ 851,853</u>	<u>\$ 3,421,346</u>
Total functional expenses							

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>			<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
	<u>House Operations</u>	<u>Grant Making</u>	<u>Total</u>			
Employee costs	\$ 542,397	\$ 52,392	\$ 594,789	\$ 94,157	\$ 351,721	\$ 1,040,667
Scholarships granted	-	146,500	146,500	-	-	146,500
Indirect fundraising	-	-	-	85,374	126,048	211,422
Depreciation and amortization	531,191	-	531,191	4,157	50,053	585,401
Cleaning service and supplies	137,519	-	137,519	-	-	137,519
House supplies	7,076	-	7,076	-	-	7,076
Utilities	147,576	-	147,576	-	-	147,576
Maintenance and repair	107,093	-	107,093	-	-	107,093
Insurance	42,247	-	42,247	8,575	-	50,822
Payroll taxes	38,927	3,993	42,920	6,407	23,997	73,324
Bank charges	-	-	-	1,934	-	1,934
Office supplies	7,273	-	7,273	25,482	2,185	34,940
Telephone	58,144	-	58,144	-	-	58,144
Employee benefits	77,283	6,884	84,167	-	36,677	120,844
Donor recognition	9,056	-	9,056	-	-	9,056
Technology	14,750	-	14,750	27,898	-	42,648
Professional fees	93,212	-	93,212	-	-	93,212
Travel, meals and entertainment	-	867	867	901	-	1,768
Postage	-	-	-	8,994	-	8,994
Direct mail	-	-	-	-	85,330	85,330
Linens and laundry	12,696	-	12,696	-	-	12,696
Meeting/Training/ Seminars	-	-	-	7,536	-	7,536
Printing and publishing	13,424	-	13,424	4,174	-	17,598
Volunteer recognition	-	-	-	7,980	-	7,980
Automobile expense	4,377	-	4,377	-	-	4,377
Write off of undepreciated assets located at existing Ronald McDonald House	<u>576,974</u>	<u>-</u>	<u>576,974</u>	<u>-</u>	<u>-</u>	<u>576,974</u>
Total expenses before donated services	2,421,215	210,636	2,631,851	283,569	676,011	3,591,431
Donated services	<u>287,987</u>	<u>-</u>	<u>287,987</u>	<u>-</u>	<u>-</u>	<u>287,987</u>
Total functional expenses	<u>\$ 2,709,202</u>	<u>\$ 210,636</u>	<u>\$ 2,919,838</u>	<u>\$ 283,569</u>	<u>\$ 676,011</u>	<u>\$ 3,879,418</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Operating activities:</u>		
Increase in net assets	\$ 295,248	\$ 10,845,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	617,387	585,401
Realized gain on sales of investments	(35,942)	(48,484)
Unrealized loss on investments and fees	86,970	20,954
Write off of undepreciated assets located at existing Ronald McDonald House	-	576,974
Change in present value discount on pledges receivable	3,321	(16,342)
In-kind donation of capital expansion in progress	(307,501)	(447,045)
(Increase) decrease in assets:		
Contributions receivable	(43,932)	24,248
Pledges receivable	2,815,037	(2,109,869)
Prepaid expenses	18,517	(9,217)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	138,149	934,107
Deferred revenue	3,250	(6,361)
Pledge payable	<u>9,730</u>	<u>-</u>
Net cash provided by operating activities	<u>3,600,234</u>	<u>10,349,541</u>
<u>Investing activities:</u>		
Purchase of fixed assets	-	(22,946)
Proceeds from sale of investments	1,948,156	627,577
Purchase of investments	(1,996,605)	(738,288)
Capital expansion in progress	<u>(13,860,531)</u>	<u>(2,807,706)</u>
Net cash used in investing activities	<u>(13,908,980)</u>	<u>(2,941,363)</u>
<u>Financing activities:</u>		
Payment of loan costs	-	(39,085)
Proceeds from construction loan	<u>1,204,602</u>	<u>100</u>
Net cash provided by (used in) financing activities	<u>1,204,602</u>	<u>(38,985)</u>
Net increase (decrease) in cash and cash equivalents	(9,104,144)	7,369,193
Cash and cash equivalents at beginning of year	<u>13,554,239</u>	<u>6,185,046</u>
Cash and cash equivalents at end of year	<u>\$ 4,450,095</u>	<u>\$ 13,554,239</u>

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2015</u>	<u>2014</u>
Cash paid for interest	\$ <u>645</u>	\$ <u>0</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2015, the Organization received an in-kind donation of investments in the amount of \$1,350,770. The investments were to be liquidated and pledged to Children's Healthcare of Atlanta. See Note I for further details.

See accompanying notes

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note A

Description of Operations

Atlanta Ronald McDonald House Charities, Inc. (the "Organization") is a charitable organization established to operate and maintain lodging facilities to accommodate, on a short-term basis, families of children undergoing treatment for leukemia, cancer, or other serious illnesses at hospitals in the Atlanta, Georgia, area. The Organization also makes grants and contributions to organizations which engage, in whole or in part, in educating children, providing for the essential needs of children, or carrying on research for, or treatment of, physical and mental diseases and other disorders of children. The Organization is supported primarily through donor contributions, grants, and fundraising activities.

Note B

Summary of Significant Accounting Policies

Net Asset Classification:

The accompanying financial statements have been prepared in accordance with standards set for accounting for contributions received and contributions made and also financial statements for not-for-profit organizations and the associated industry accounting and audit guide. Under these guidelines, contributions of cash and other assets are classified as one of the following categories:

Unrestricted – The part of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted – The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently Restricted – The part of the net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note B

Summary of Significant Accounting Policies (Continued)

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting. Contributions are recognized upon an unconditional promise to give by a donor to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received from donors with permanent restriction are maintained as permanently restricted net assets in perpetuity. Expenses are recognized when incurred.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include collectability of pledges receivable and discount on pledges receivable. Actual results could differ from those estimates.

Cash Equivalents:

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk:

The Organization maintains its cash balances in several financial institutions. Such balances, at times, may exceed federally insured limits. The Organization has not experienced any such losses and does not believe that it is exposed to any significant risk on its cash and cash equivalents.

Contributions and Pledges Receivable:

Contributions receivable on the statements of financial position are funds receivable from local restaurants and grants receivable from private organizations. These receivables are due in less than one year. Pledges receivable are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises are not recorded as support until the conditions are substantially met. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction has been met or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises to give. Management has determined that no allowance was necessary at December 31, 2015 or 2014.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note B

Summary of Significant Accounting Policies (Continued)

Investments:

As more fully described in Note F, investments are carried at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investment income and gains and losses on investments are recorded as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations, or by law. Investment income and gains and losses on investments whose use is temporarily restricted by explicit donor stipulation, or by law, but whose restrictions expire in the same reporting period as earned, are reported as unrestricted investment income.

Investments consist of marketable debt and equity securities and are reported at their fair values in the statements of financial position. All equity and debt securities held by the Organization are considered to be available-for-sale securities. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Loan costs:

Loan costs consist of certain costs incurred in connection with the Organization's note payable. The loan costs are amortized on a straight-line basis over the term of the associated loan. Amortization expense was \$7,816 and \$1,303 for the years ended December 31, 2015 or 2014, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2018 is \$7,817 and is \$6,514 for the year ended December 31, 2019, at which point in time the loan costs will be fully amortized.

Property and Equipment:

Property and equipment are stated at cost for purchased assets or fair value on the date of donation for donated assets. The Organization reviews for capitalization all expenditures greater than \$2,000. Assets received by donation generally follow the same capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The useful lives used for depreciation are as follows:

Buildings and improvements	15-30 years
Furniture and Equipment	5-20 years

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note B

Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets:

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. No impairment loss has been recognized during the years ended 2015 and 2014.

Functional Expenses:

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses common to several functions are allocated according to a formula developed by management.

Donated Assets and Services:

Donated assets and services are reflected as contributions in the accompanying statements of activities at their estimated fair values at the date of receipt. No amounts have been reflected in the statements of activities for donated volunteer services because they do not meet the criteria for revenue recognition.

Income Taxes:

The Organization is a charitable organization and qualifies under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization for both federal and state income tax purposes. Accordingly, the Organization has provided for no income taxes in the accompanying financial statements. The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 *Income Taxes*. There were no unrecognized tax benefits or related liabilities at December 31, 2015 or 2014. The Organization is no longer subject to income tax examinations for calendar years prior to 2012.

Reclassifications:

Certain amounts as of and for the year ending December 31, 2014 have been reclassified to conform with the current year presentation.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
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Note C

Prior Period Adjustment

A prior period adjustment was recorded in the December 31, 2014 financial statements to properly classify professional consulting services relating to the capital campaign, which was capitalized as part of the capital expansion in progress by mistake in the prior years. The effect of the corrections was summarized below:

Statement of financial position as of December 31, 2014

	Previously Reported	Increase (Decrease)	As Restated
Capital expansion in progress	\$ <u>4,264,624</u>	\$ <u>(132,000)</u>	\$ <u>4,132,624</u>
Unrestricted net assets	\$ <u>20,193,814</u>	\$ <u>(132,000)</u>	\$ <u>20,061,814</u>

Statement of activities for the year ended December 31, 2014

	Previously Reported	Increase (Decrease)	As Restated
Unrestricted net assets at beginning of year	\$ <u>17,567,253</u>	\$ <u>(132,000)</u>	\$ <u>17,435,253</u>
Unrestricted net assets at end of year	\$ <u>20,193,814</u>	\$ <u>(132,000)</u>	\$ <u>20,061,814</u>
Total net assets at beginning of year	\$ <u>26,974,837</u>	\$ <u>(132,000)</u>	\$ <u>26,842,837</u>
Total net assets at end of year	\$ <u>37,820,012</u>	\$ <u>(132,000)</u>	\$ <u>37,688,012</u>

Note D

Pledges Receivable

The Organization's pledges receivable relate to the capital campaign. Pledges receivable at their net realizable value consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Due in one year or less	\$ 1,601,852	\$ 2,566,739
One to five years	<u>1,007,874</u>	<u>2,858,024</u>
	2,609,726	5,424,763
Less: present value discount	<u>(28,732)</u>	<u>(25,411)</u>
Pledges receivable, net	\$ <u>2,580,994</u>	\$ <u>5,399,352</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note E

Investments

Investments consisted of the following at December 31, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 1,491,219	\$ 114,500	\$ 1,605,719
Equity Securities	-	955,925	496,250	1,452,175
Exchange -Traded Funds	-	20,532	-	20,532
Debt Securities - Corporate	-	328,843	-	328,843
	<u>\$ -</u>	<u>\$ 2,796,519</u>	<u>\$ 610,750</u>	<u>\$ 3,407,269</u>

Investments consisted of the following at December 31, 2014:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 356,508	\$ -	\$ 356,508
Equity Securities	-	874,418	496,250	1,370,668
Debt Securities - Corporate	-	314,631	-	314,631
	<u>\$ -</u>	<u>\$ 1,545,557</u>	<u>\$ 496,250</u>	<u>\$ 2,041,807</u>

The components of investment income are as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 88,628	\$ 77,328
Realized gains	35,942	48,484
Unrealized losses	(69,923)	(5,232)
Less: investment expenses	<u>(17,047)</u>	<u>(15,722)</u>
	<u>\$ 37,600</u>	<u>\$ 104,858</u>

Note F

Fair Value Measurements

The Organization applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value 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. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note F

Fair Value Measurements (Continued)

The three general valuation techniques that may be used to measure fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities inactive markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2015:

Assets measured at fair value on a recurring basis as of December 31, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 1,676,781	\$ 1,605,719	\$ 1,605,719	\$ -	\$ -
Equity Securities	982,669	1,452,175	1,452,175	-	-
Exchange-Traded Funds	21,219	20,532	20,532	-	-
Debt Securities - Corporate	<u>325,627</u>	<u>328,843</u>	<u>328,843</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,006,296</u>	<u>\$ 3,407,269</u>	<u>\$ 3,407,269</u>	<u>\$ -</u>	<u>\$ -</u>

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Note F

Fair Value Measurements (Continued)

Assets measured at fair value on a non-recurring basis as of December 31, 2015

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable, net	\$ <u>2,580,994</u>	\$ <u>-</u>	<u>-</u>	\$ <u>2,580,994</u>
	<u>\$ 2,580,994</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 2,580,994</u>

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at December 31, 2014:

Assets measured at fair value on a recurring basis as of December 31, 2014

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 365,814	\$ 356,508	\$ 356,508	\$ -	\$ -
Equity Securities	895,524	1,370,668	1,370,668	-	-
Debt Securities - Corporate	<u>304,291</u>	<u>314,631</u>	<u>314,631</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,565,629</u>	<u>\$ 2,041,807</u>	<u>\$ 2,041,807</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a non-recurring basis as of December 31, 2014

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable, net	\$ <u>5,399,352</u>	\$ <u>-</u>	<u>-</u>	\$ <u>5,399,352</u>
	<u>\$ 5,399,352</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 5,399,352</u>

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

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 NOTES TO FINANCIAL STATEMENTS
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Note G

Capital Expansion in Progress

The Organization was performing work to replace and expand the Peachtree Dunwoody location. In conjunction with the replacement, the existing Peachtree Dunwoody house was demolished at which time \$576,974 of undepreciated capitalizable assets were disposed of. This amount was included in write off of undepreciated assets located at existing Ronald McDonald House in the statement of functional expenses at December 31, 2014. The cost of the work performed was included in capital expansion in progress on the statements of financial position at December 31, 2014. Capitalized expansion costs in the amount of \$307,501 and \$447,045 were donated to the Organization during the years ended December 31, 2015 and 2014, respectively. In December 2015, the Peachtree Dunwoody house was placed in service.

Note H

Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,948,846	\$ 1,948,846
Buildings and improvements	30,882,752	14,090,127
Furniture and equipment	<u>3,103,583</u>	<u>1,595,552</u>
	35,935,181	17,634,525
Less accumulated depreciation	<u>4,887,679</u>	<u>4,278,109</u>
	<u>\$ 31,047,502</u>	<u>\$ 13,356,416</u>

Depreciation expense totaled \$609,571 and \$584,098 for the years ended December 31, 2015 and 2014, respectively.

Note I

Pledge Payable

During 2015, the Organization entered into a grant agreement. Under the terms of the agreement, the Organization received a stock gift of approximately \$1,500,000. Pursuant to the agreement, the Organization was to liquidate the securities and use the proceeds to establish a permanent endowment in the amount of \$114,500 and retain an additional \$12,500 to cover any associated expenses. The remaining amount was to be pledged to Children's Healthcare of Atlanta (CHOA) and paid out in four installments. The Organization made the initial installment of \$12,500 in 2015 as specified in the agreement.

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note I

Pledge Payable (Continued)

Required payments to CHOA under the grant agreement are as follows:

Year	Amount
2016	\$ 366,740
2017	491,542
2018	502,218
	\$ 1,360,500

Note J

Note Payable

In 2014, the Organization obtained a construction loan with SunTrust bank that is secured by the Peachtree Dunwoody Ronald McDonald House. The agreement provides for advances of up to \$8,000,000. Interest only payments are due monthly. The loan bears interest at one-month LIBOR plus 1.45%. The loan matures on October 30, 2019. At December 31, 2015 and 2014, the loan balance was \$1,204,702 and \$100, respectively.

Note K

Restrictions on Net Assets

Temporarily and Permanently Restricted Net Assets

Temporarily restricted and permanently restricted net assets consist of the following at December 31:

	Temporarily		Permanently	
	2015	2014	2015	2014
Cash for capital expansion	\$ 9,535	\$ 9,970,030	\$ -	\$ -
Donor-restricted endowments	3,002,959	1,760,566	610,750	496,250
Pledges receivable, net	2,580,994	5,399,352	-	-
	\$ 5,593,488	\$ 17,129,948	\$ 610,750	\$ 496,250

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DECEMBER 31, 2015 AND 2014

Note K

Restrictions on Net Assets (Continued)

Donor-Designated Endowments

The state of Georgia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in July 2008. The Organization has interpreted 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 the explicit donor stipulations to the contrary. Accordingly, the classification of permanently restricted net assets includes (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 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 the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce a return that meets or exceeds market index, or blended market index selected by the Board of Directors while assuming a moderate level of investment risk (tolerating a maximum loss of 0% to 15% over any one year period).

Spending Policy

The Organization has a policy in which the general rule of appropriating for distribution each year is 3% of its endowment fund's average appreciation over the prior three fiscal years preceding the fiscal year in which the distribution is planned. Spending may be approved for maintenance, specific programs or to contribute to the general operating budget of the charity. There is no minimum requirement for spending from the endowment in any given year. If it is determined that a distribution is not needed or not feasible in any given year, the distribution may be waived for the year. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly,

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NOTES TO FINANCIAL STATEMENTS
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Note K

Restrictions on Net Assets (Continued)

over the long-term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift and to provide ARMHC with an incremental stream of income to be utilized to supplement other recurring sources of revenue for the charity.

Strategies Employed for Achieving Objectives

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

The composition and changes in endowment net assets as of December 31, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2013	\$ -	\$ 1,654,466	\$ 496,250	\$ 2,150,716
Contributions	-	70,907	-	70,907
Investment income	-	116,816	-	116,816
Net depreciation, plus fees	-	(20,954)	-	(20,954)
Appropriation of endowment net assets for expenditure	<u>-</u>	<u>(60,670)</u>	<u>-</u>	<u>(60,670)</u>
Endowment net assets, December 31, 2014	-	1,760,565	496,250	2,256,815
Contributions	-	1,373,387	114,500	1,487,887
Investment income	-	103,859	-	103,859
Net depreciation, plus fees	-	(86,970)	-	(86,970)
Appropriation of endowment net assets for expenditure	<u>-</u>	<u>(147,883)</u>	<u>-</u>	<u>(147,883)</u>
Endowment net assets, December 31, 2015	<u>\$ -</u>	<u>\$ 3,002,958</u>	<u>\$ 610,750</u>	<u>\$ 3,613,708</u>

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
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Note L

Required Payments to National Organization

Section 8 of the Affiliation Agreement between the Organization and the National Organization (Ronald McDonald House Charities) requires the Organization to remit, on at least a quarterly basis, 25% of all qualifying monetary contributions (net of normal and customary fund raising expenses) to the National Organization. For the years ended December 31, 2015 and 2014, a total of \$77,930 and \$71,979, respectively, was paid to the National Organization under this agreement. Included in accounts payable and accrued expenses at December 31, 2015 and 2014, is \$20,703 and \$19,746, respectively, owed to the National Organization under this agreement.

Note M

Related Parties

Companies owned by various board members donated construction, marketing, accounting, and legal services to the Organization during 2015 and 2014 in amounts totaling \$187,042 and \$205,333, respectively. Pledges receivable from board members, employees, and other related parties at December 31, 2015 and 2014, totaled \$1,315,892 and \$2,137,582, respectively.

Note N

Commitments

In 2007, the Organization signed an agreement with Children's Healthcare of Atlanta (CHOA) (whose facilities are served by the Organization's two houses at Gatewood Road and Peachtree Dunwoody Road in Atlanta). Under the terms of the agreement, a portion of the land on which the Peachtree Dunwoody location is housed was gifted to the Organization. If the land ever ceases to be used as a Ronald McDonald Charities location CHOA has an irrevocable right to repurchase the property for the fair market value of the improvements to the land.

CHOA is recognized as a regional treatment center of excellence and one of the top 10 children's hospitals in the country with nationally recognized programs for cancer, heart, and solid organ transplants. Management believes the demand for lodging and respite facilities will continue to increase. The leadership of the Organization, working with CHOA, has undertaken an analysis of the amount and type of additional space needed to serve current and future families. During 2015, the Organization completed construction of the new Peachtree Dunwoody house as more fully described in Note G.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note O

Subsequent Events

The Organization evaluated subsequent events through July 6, 2016, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the issuance of this report that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

ATLANTA RONALD MCDONALD HOUSE CHARITIES, INC.
SCHEDULES OF SCHOLARSHIPS GRANTED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
African-American Future Achievers	\$ 39,125	\$ 40,500
Asia Scholarship Program	39,125	26,000
Hacer Program	39,125	39,000
RMHC Atlanta Scholarship Program	<u>39,125</u>	<u>41,000</u>
Total Scholarships Granted	<u>\$ 156,500</u>	<u>\$ 146,500</u>

See independent auditors' report