

**RONALD MCDONALD HOUSE  
CHARITIES OF WEST GEORGIA, INC.  
COLUMBUS, GEORGIA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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Independent Auditor's Report

To the Board of Directors  
Ronald McDonald House Charities of West Georgia, Inc.  
Columbus, Georgia

We have audited the accompanying financial statements of Ronald McDonald House Charities of West Georgia, Inc. (a non-profit organization; the "House"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 House'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 House'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 West Georgia, 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.

*Robinson, Grimes + Company, P.C.*

Certified Public Accountants

July 27, 2017

RONALD MCDONALD HOUSE CHARITIES OF WEST GEORGIA, INC.  
 COLUMBUS, GEORGIA  
 STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 170,316	\$ 122,456
Investments	1,496,804	1,359,444
Pledges receivable	7,686	13,995
Other current assets	4,880	0
Total current assets	<u>1,679,686</u>	<u>1,495,895</u>
<b>NONCURRENT ASSETS</b>		
Investments, permanently restricted	200,000	200,000
Fixed assets (net of accumulated depreciation)	<u>1,138,513</u>	<u>1,161,113</u>
Total noncurrent assets	<u>1,338,513</u>	<u>1,361,113</u>
 Total assets	 <u>\$ 3,018,199</u>	 <u>\$ 2,857,008</u>

LIABILITIES AND NET ASSETS

LIABILITIES

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,556	\$ 8,304
Payroll liabilities	<u>6,099</u>	<u>11,710</u>
Total current liabilities	<u>25,655</u>	<u>20,014</u>

NET ASSETS

UNRESTRICTED	2,747,677	2,630,408
TEMPORARILY RESTRICTED	44,867	6,586
PERMANENTLY RESTRICTED	<u>200,000</u>	<u>200,000</u>
Total net assets	<u>2,992,544</u>	<u>2,836,994</u>
 Total liabilities and net assets	 <u>\$ 3,018,199</u>	 <u>\$ 2,857,008</u>

See Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF WEST GEORGIA, INC.  
COLUMBUS, GEORGIA  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Fundraising income	\$ 41,625	\$ 0	\$ 0	\$ 41,625
Contributions	145,487	80,545	0	226,032
In-kind contributions	91,067	0	0	91,067
Guest stay donations	6,555	0	0	6,555
Investment income	64,792	0	0	64,792
Unrealized investment gain on marketable securities	104,724	0	0	104,724
Other income	18,200	0	0	18,200
Special events	100,161	0	0	100,161
Net assets released from purpose or time restrictions	42,264	(42,264)	0	0
Total support, revenue and reclassifications	<u>614,875</u>	<u>38,281</u>	<u>0</u>	<u>653,156</u>
<b>EXPENSES</b>				
Program services	350,713	0	0	350,713
General and administrative	48,076	0	0	48,076
Fundraising	90,724	0	0	90,724
Unallocated payments to RHMC Global	8,093	0	0	8,093
Total expenses	<u>497,606</u>	<u>0</u>	<u>0</u>	<u>497,606</u>
Change in net assets	117,269	38,281	0	155,550
Net assets, beginning	<u>2,630,408</u>	<u>6,586</u>	<u>200,000</u>	<u>2,836,994</u>
Net assets, ending	<u>\$ 2,747,677</u>	<u>\$ 44,867</u>	<u>\$ 200,000</u>	<u>\$ 2,992,544</u>

See Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF WEST GEORGIA, INC.  
COLUMBUS, GEORGIA  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Fundraising income	\$ 28,467	\$ 0	\$ 0	\$ 28,467
Contributions	148,574	33,507	0	182,081
In-kind contributions	106,040	0	0	106,040
Guest stay donations	4,232	0	0	4,232
Investment income	33,891	0	0	33,891
Unrealized investment loss on marketable securities	(52,169)	0	0	(52,169)
Other income	8,345	0	0	8,345
Special events	111,940	0	0	111,940
Net assets released from purpose or time restrictions	40,973	(40,973)	0	0
Total support, revenue and reclassifications	<u>430,293</u>	<u>(7,466)</u>	<u>0</u>	<u>422,827</u>
<b>EXPENSES</b>				
Program services	360,192	0	0	360,192
General and administrative	80,751	0	0	80,751
Fundraising	102,148	0	0	102,148
Unallocated payments to RHMC Global	7,993	0	0	7,993
Total expenses	<u>551,084</u>	<u>0</u>	<u>0</u>	<u>551,084</u>
Change in net assets	(120,791)	(7,466)	0	(128,257)
Net assets, beginning	<u>2,751,199</u>	<u>14,052</u>	<u>200,000</u>	<u>2,965,251</u>
Net assets, ending	<u>\$ 2,630,408</u>	<u>\$ 6,586</u>	<u>\$ 200,000</u>	<u>\$ 2,836,994</u>

See Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF WEST GEORGIA, INC.  
COLUMBUS, GEORGIA  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	General and Administrative	Fundraising	Unallocated Payments to RMHC Global	Total
Personnel expenses					
Salaries	\$ 123,194	\$ 11,708	\$ 31,003	\$ 0	\$ 165,905
Payroll taxes and benefits	18,855	1,792	4,745	0	25,392
Total personnel expenses	<u>142,049</u>	<u>13,500</u>	<u>35,748</u>	<u>0</u>	<u>191,297</u>
Other expenses					
Automobile	250	168	0	0	418
Bank charges	0	1,811	0	0	1,811
Computer supplies and maintenance	1,045	2141	4	0	3,190
Costs of direct benefit to donors	27,092	0	0	0	27,092
Depreciation	53,477	0	2,836	0	56,313
Education	1,763	0	0	0	1,763
Equipment rental	2,024	0	0	0	2,024
In-kind gifts and services	63,109	1,653	26,305	0	91,067
Insurance	11,439	6,440	0	0	17,879
Licenses and permits	0	170	264	0	434
Maintenance and repairs	14,807	1,028	0	0	15,835
Miscellaneous	2,526	1,903	0	0	4,429
Postage and delivery	528	0	222	0	750
Printing	0	1,004	0	0	1,004
Professional fees	0	6,000	0	0	6,000
Purchased services	3,806	165	0	0	3,971
Special events	0	0	25,345	0	25,345
Supplies	2,533	940	0	0	3,473
Travel	615	0	0	0	615
Utilities	23,650	7,058	0	0	30,708
Volunteer gifts	0	4,095	0	0	4,095
Unallocated payments to RMHC Global	0	0	0	8,093	8,093
Total other expenses	<u>208,664</u>	<u>34,576</u>	<u>54,976</u>	<u>8,093</u>	<u>306,309</u>
Total expenses	<u>\$ 350,713</u>	<u>\$ 48,076</u>	<u>\$ 90,724</u>	<u>\$ 8,093</u>	<u>\$ 497,606</u>

See Notes to Financial Statements.



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STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	General and Administrative	Fundraising	Unallocated Payments to RMHC Global	Total
Personnel expenses					
Salaries	\$ 105,389	\$ 39,469	\$ 38,183	\$ 0	\$ 183,041
Payroll taxes and benefits	19,380	7,623	7,375	0	34,378
Total personnel expenses	<u>124,769</u>	<u>47,092</u>	<u>45,558</u>	<u>0</u>	<u>217,419</u>
Other expenses					
Automobile	352	38	30	0	420
Bank charges	0	1,991	0	0	1,991
Computer supplies and maintenance	2,218	171	159	0	2,548
Costs of direct benefit to donors	23,185	0	0	0	23,185
Depreciation	57,664	0	2,018	0	59,682
Education	1,020	0	0	0	1,020
Equipment rental	2,211	0	0	0	2,211
In-kind gifts and services	75,695	5,983	24,362	0	106,040
Insurance	16,245	0	0	0	16,245
Licenses and permits	0	491	0	0	491
Maintenance and repairs	15,563	4,137	0	0	19,700
Miscellaneous	2,337	757	0	0	3,094
Postage and delivery	778	2	6	0	786
Printing	0	1,110	0	0	1,110
Professional fees	0	7,355	0	0	7,355
Purchased services	4,143	0	0	0	4,143
Special events	0	0	28,471	0	28,471
Supplies	6,299	912	0	0	7,211
Travel	2,733	0	1,544	0	4,277
Utilities	24,980	6,285	0	0	31,265
Volunteer gifts	0	4,427	0	0	4,427
Unallocated payments to RMHC Global	0	0	0	7,993	7,993
Total other expenses	<u>235,423</u>	<u>33,659</u>	<u>56,590</u>	<u>7,993</u>	<u>333,665</u>
Total expenses	<u>\$ 360,192</u>	<u>\$ 80,751</u>	<u>\$ 102,148</u>	<u>\$ 7,993</u>	<u>\$ 551,084</u>

See Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF WEST GEORGIA, INC.  
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STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ 155,550</u>	<u>\$ (128,257)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,313	59,682
Net unrealized (gains) losses on investments	(104,724)	52,169
Changes in:		
Pledges receivable	6,309	7,966
Accounts payable	(2,780)	3,053
Other	(10,491)	4,611
Total adjustments	<u>(55,373)</u>	<u>127,481</u>
Net cash provided by (used in) operating activities	<u>100,177</u>	<u>(776)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(32,636)	(26,676)
Acquisition of fixed assets	(19,681)	(15,884)
Net cash used in investing activities	<u>(52,317)</u>	<u>(42,560)</u>
Net increase (decrease) in cash and cash equivalents	47,860	(43,336)
Cash and cash equivalents, beginning	<u>122,456</u>	<u>165,792</u>
Cash and cash equivalents, ending	<u>\$ 170,316</u>	<u>\$ 122,456</u>

See Notes to Financial Statements.

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COLUMBUS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1: Nature of Activities

Ronald McDonald House Charities of West Georgia, Inc. (the "House") is a non-profit organization in Columbus, Georgia formed in 1993 for the purpose of providing temporary lodging and support for families of seriously ill children undergoing treatment at area medical facilities.

NOTE 2: Summary of Significant Accounting Policies

Basis of Accounting - The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The House reports net assets and revenues, expenses, gains, and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that are to be maintained permanently by the House. Generally, the donors of these assets would permit the House to use all or part of the income earned on related investments for general or specific purposes. See Note 6 for a description of permanently restricted net assets.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that are to be met by actions of the House and/or the passage of time. See Note 6 for a description of temporarily restricted net assets.

Unrestricted net assets: Net assets not subject to donor-imposed stipulations.

Fair Value Measurements - GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

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

Level 2 Inputs to the valuation methodology include:

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NOTE 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

- Quoted prices for similar assets or liabilities 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;
- 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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the House considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents, to include such amounts held within brokerage accounts owned by the House.

Pledges Receivable - Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Investments - The House's investments are stated at fair value, determined based on quoted market prices or estimated fair value provided by external investment managers or other sources. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. The net realized and unrealized gains and losses on investments are reflected in the accompanying Statements of Activities.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2: Summary of Significant Accounting Policies (Continued)

Fixed Assets and Related Depreciation - Assets are recorded at cost, if purchased, and at fair value, if donated, and depreciated on the straight-line method over the assets' estimated useful lives as follows:

Automobiles	5 years
Buildings	20 years
Building and land improvements	7-20 years
Canisters	5 years
Furniture, fixtures and equipment	5-7 years

Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions and major renewals are capitalized.

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gains or losses are reflected in the Statements of Activities. The House's policy is to capitalize items purchased or donated with a cost or fair value in excess of \$2,500.

Support and Revenue - Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributed Services - Many individuals volunteer their time and perform a variety of tasks that assist the House, but these services do not meet the criteria for recognition as contributed services in accordance with GAAP. The House also receives contributions of goods and non-personal services, which are recorded as in-kind contributions and charged to the related expense account at the time of receipt.

Income Taxes - The House is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and did not conduct any unrelated business activities during 2016 and 2015. Accordingly, no provision for federal or state income taxes has been made. In addition, the House qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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NOTE 2: Summary of Significant Accounting Policies (Continued)

GAAP requires recognition of a liability for the benefit resulting from any uncertain tax positions taken by the House. The income tax returns of the House are subject to examination by the Internal Revenue Service and state taxing authorities within the standard statute of limitation periods. There are currently no tax returns under examination. Based on the evaluation of the House's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2016.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain items in the 2015 financial statements have been reclassified to be in conformity with the 2016 statement presentation.

Subsequent Events - Management has evaluated subsequent events through July 27, 2017, which is the date the financial statements were available to be issued. There were no transactions that were required to be disclosed under professional guidance.

NOTE 3: Pledges Receivable

Pledges receivable represent unconditional promises to give by donors. As of December 31, 2016 and 2015, pledges receivable that are collectible within one year were \$7,686 and \$13,995, respectively.

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding unconditional promises to give. There was no allowance for bad debts on pledges receivable at December 31, 2016 and 2015.

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 NOTES TO FINANCIAL STATEMENTS  
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NOTE 4: Investments

Investments are stated at fair value and are summarized as follows:

	2016		
	Cost	FMV	Unrealized Appreciation
Mutual funds	\$ 695,257	\$ 1,036,790	\$ 341,533
Equities	418,022	660,014	241,992
Total investments	\$ 1,113,279	\$ 1,696,804	\$ 583,525
	2015		
	Cost	FMV	Unrealized Appreciation
Mutual funds	\$ 662,621	\$ 952,093	\$ 289,472
Equities	418,022	607,351	189,329
Total investments	\$ 1,080,643	\$ 1,559,444	\$ 478,801

All of the investments detailed above are measured at fair value using Level 1 inputs under GAAP, as described in Note 2.

Net investment income consisted of interest and dividends, and totaled \$64,792 and \$33,891 in 2016 and 2015, respectively.

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NOTE 5: Fixed Assets and Accumulated Depreciation

Fixed assets and accumulated depreciation are summarized as follows:

	<u>2016</u>	<u>2015</u>
Automobiles	\$ 34,009	\$ 34,009
Buildings	1,607,666	1,607,666
Building and land improvements	140,402	120,721
Canisters	19,855	19,855
Land	343,791	343,791
Furniture, fixtures and equipment	143,192	143,192
Construction-in-progress	14,032	0
	<u>2,302,947</u>	<u>2,269,234</u>
Less: accumulated depreciation	<u>(1,164,434)</u>	<u>(1,108,121)</u>
Fixed assets (net of accumulated depreciation)	<u>\$ 1,138,513</u>	<u>\$ 1,161,113</u>

Depreciation expense totaled \$56,313 and \$59,682 for the years ended December 31, 2016 and 2015, respectively.

In November 2016, the House partnered with the Midtown Medical Center, to begin construction on the Ronald McDonald Family Room (the "Family Room") at Midtown Medical Center, with an expected completion date of October 2017. The total cost of the Family Room is expected to be approximately \$84,000, which the House has decided to capitalize over the construction period. At December 31, 2016, \$14,032 of these capitalized costs are included in construction-in-progress on the Statements of Financial Position. In addition, during 2016 the House received a grant from the national chapter of the Ronald McDonald House Charities for approximately half of the estimated costs to construct the Family Room. This grant was recorded as temporarily restricted income on the Statement of Activities, with amounts being released from restriction over the construction period as construction costs are capitalized. As of December 31, 2016, \$7,016 of net assets has been released from restriction related to the Family Room construction.



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NOTE 6: Net Assets

*Interpretation of Relevant Law:* The Board of Directors of the House 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 date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the House 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 funds is classified as unrestricted net assets as explicitly specified by the donor for use of support of the House’s general operations. In accordance with UPMIFA, the House considers the following factors in making a determination to appropriate or accumulate investment return on donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose 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 appreciation of investments, (6) other resources of the House, and (7) the House’s investment policies.

*Investment Return Objectives, Risk Parameters and Strategies:* The House has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to ensure the safety of endowed and other long-term, corpus or corpus-like assets while maximizing the opportunity for investment income generated by its invested assets. Accordingly, some asset risk is acceptable and prudent, but in order to provide necessary financial stability and long-term viability to the House, undue or excessive risk in investments is not permissible. Endowment assets are invested in a diversified asset mix, which includes mutual funds and equity securities. The investment of endowment assets will be structured so that 60% of the fair value of the endowment assets will be in fixed income (mutual funds) investments and 40% of the fair value of endowment assets in equity securities. As market values fluctuate, there is a tolerated variance level of 5% from these threshold percentages.

*Spending Policy:* The House has a policy of spending no more than 20% of a trailing three-year average of the endowments total asset value, provided the amount spent does not exceed the annual investment income from those assets in the most recent year. The House is not required to spend any or all of the allowable spending amount and does not forfeit the opportunity to spend up to the approved amounts in subsequent years by failing, whether deliberately or otherwise, to spend any amount in a particular year.

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NOTE 6: Net Assets (Continued)

Permanently Restricted

Permanently restricted net assets totaled \$200,000 for both December 31, 2016 and 2015. This amount was donated by the Medical Center Auxiliary (“MCA”), and as stipulated by MCA, was deposited into the House’s brokerage account and used to purchase investments. The principal can only be used to purchase investments, but the earnings from these investments are unrestricted.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Kitchen needs	\$ 6,794	\$ 3,023
Family Room construction	35,084	0
Healthy meals	1,899	2,067
Other	1,090	1,496
Temporarily restricted net assets	<u>\$ 44,867</u>	<u>\$ 6,586</u>

NOTE 7: Operating Leases

In 2014, the House entered into a 48-month non-cancelable operating lease for office equipment. Future minimum rental payments under this lease for the next two years is:

<u>YEAR ENDING</u> <u>DECEMBER 31,</u>	<u>EQUIPMENT</u> <u>LEASES</u>
2017	\$ 2,050
2018	1,025
	<u>\$ 3,075</u>

Rental expense under this lease for the years ended December 31, 2016 and 2015 totaled \$2,024 and \$2,211, respectively, and is included in the Statements of Functional Expenses.

RONALD MCDONALD HOUSE CHARITIES OF WEST GEORGIA, INC.  
COLUMBUS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8: Employee Benefits

The House maintains a 401(k) plan that covers all eligible employees. The House made matching contributions equal to 25%, not to exceed 6% of eligible compensation. The retirement plan expense recognized for the years ended December 31, 2016 and 2015 totaled \$1,181 and \$1,291, respectively.

NOTE 9: Concentrations of Credit Risk

The House has significant investments in equity securities and mutual funds and is therefore subject to concentrations of credit risk. Investments are managed by investment advisors who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board believes that the investment policy is prudent for the long-term welfare of the House. Should there be continued volatility in financial markets, the House's support and revenue could be significantly affected in the future.

NOTE 10: Related Party Transactions

The Chairman of the Board of Directors of the House is the President of Pezold Management, which owns and operates local McDonald's restaurants. Pezold Management pays for various expenses (including but not limited to health insurance, service contracts, etc.) on behalf of the House, and is reimbursed for these expenses by the House. During the years ended December 31, 2016 and 2015, the House received unrestricted contributions from Pezold Management totaling \$32,482 and \$31,715, respectively.