

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
IOWA CITY, IOWA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities of
Eastern Iowa & Western Illinois, Inc.
Iowa City, Iowa

We have audited the accompanying financial statements of Ronald McDonald House Charities of Eastern Iowa & Western Illinois, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Board of Directors
Ronald McDonald House Charities of
Eastern Iowa & Western Illinois, Inc.

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 Eastern Iowa & Western Illinois, Inc. as of December 31, 2016 and 2015, and the change 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
May 19, 2017

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 375,373	\$ 461,962
Contributions Receivable, Net	176,664	313,899
Contributed Lease	102,750	137,514
Prepaid Expenses	66,042	49,417
Other Assets	8,184	7,667
Investments	2,739,576	2,398,734
Beneficial Use of Land	83,753	91,310
Property and Equipment, Net	1,873,357	1,935,206
Beneficial Interest in Assets Held by Others	332,801	-
	<u>\$ 5,758,500</u>	<u>\$ 5,395,709</u>
Total Assets	<u>\$ 5,758,500</u>	<u>\$ 5,395,709</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 122,248	\$ 135,668
NET ASSETS		
Unrestricted	3,514,383	3,364,925
Temporarily Restricted	1,621,869	1,395,116
Permanently Restricted	500,000	500,000
Total Net Assets	<u>5,636,252</u>	<u>5,260,041</u>
Total Liabilities and Net Assets	<u>\$ 5,758,500</u>	<u>\$ 5,395,709</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions	\$ 966,888	\$ 506,048	\$ -	\$ 1,472,936
Contributed Goods and Services	139,472	-	-	139,472
Special Events Revenue	163,131	-	-	163,131
Less: Direct Benefit Costs	<u>(47,368)</u>	<u>-</u>	<u>-</u>	<u>(47,368)</u>
Net Revenue from Special Events	115,763	-	-	115,763
RMH Room Donation/Fees	28,034	-	-	28,034
Net Assets Released from Restrictions	364,142	<u>(364,142)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>1,614,299</u>	<u>141,906</u>	<u>-</u>	<u>1,756,205</u>
EXPENSES				
Program Services	1,088,534	-	-	1,088,534
Supporting Services:				
Management and General Administration	163,314	-	-	163,314
Fundraising	244,323	-	-	244,323
Unallocated Payments to RMHC Global	49,513	-	-	49,513
Total Expenses	<u>1,545,684</u>	<u>-</u>	<u>-</u>	<u>1,545,684</u>
CHANGE IN NET ASSETS FROM OPERATIONS				
	68,615	141,906	-	210,521
CHANGE IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS				
	4,679	-	-	4,679
INVESTMENT INCOME, NET				
	<u>76,164</u>	<u>84,847</u>	<u>-</u>	<u>161,011</u>
CHANGE IN NET ASSETS				
	149,458	226,753	-	376,211
Net Assets - Beginning of Year	<u>3,364,925</u>	<u>1,395,116</u>	<u>500,000</u>	<u>5,260,041</u>
NET ASSETS - END OF YEAR	<u>\$ 3,514,383</u>	<u>\$ 1,621,869</u>	<u>\$ 500,000</u>	<u>\$ 5,636,252</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions	\$ 845,068	\$ 468,507	\$ -	\$ 1,313,575
Contributed Goods and Services	72,100	168,717	-	240,817
Special Events Revenue	207,390	-	-	207,390
Less: Direct Benefit Costs	<u>(45,515)</u>	<u>-</u>	<u>-</u>	<u>(45,515)</u>
Net Revenue from Special Events	161,875	-	-	161,875
RMH Room Donation/Fees	36,331	-	-	36,331
Net Assets Released from Restrictions	369,356	<u>(369,356)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>1,484,730</u>	<u>267,868</u>	<u>-</u>	<u>1,752,598</u>
EXPENSES				
Program Services	1,077,931	-	-	1,077,931
Supporting Services:				
Management and General Administration	107,383	-	-	107,383
Fundraising	133,490	-	-	133,490
Unallocated Payments to RMHC Global	48,069	-	-	48,069
Total Expenses	<u>1,366,873</u>	<u>-</u>	<u>-</u>	<u>1,366,873</u>
CHANGE IN NET ASSETS FROM OPERATIONS	117,857	267,868	-	385,725
CHANGE IN VALUE OF BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	-	-	-	-
INVESTMENT INCOME, NET	<u>(8,215)</u>	<u>(10,364)</u>	<u>-</u>	<u>(18,579)</u>
CHANGE IN NET ASSETS	109,642	257,504	-	367,146
Net Assets - Beginning of Year	<u>3,255,283</u>	<u>1,137,612</u>	<u>500,000</u>	<u>4,892,895</u>
NET ASSETS - END OF YEAR	<u>\$ 3,364,925</u>	<u>\$ 1,395,116</u>	<u>\$ 500,000</u>	<u>\$ 5,260,041</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Services				Supporting Services		
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services	Total	Management and General	Fundraising	Total
Salaries	\$ 262,665	\$ 74,022	\$ -	\$ 336,687	\$ 44,033	\$ 104,649	\$ 485,369
Employee Health and Retirement Benefits	34,432	3,142	-	37,574	7,028	15,758	60,360
Payroll Taxes	20,213	5,652	-	25,865	3,275	7,693	36,833
Total Salaries and Related Expenses	317,310	82,816	-	400,126	54,336	128,100	582,562
Automobile Expenses	3,744	-	-	3,744	-	-	3,744
Cleaning Service and Supplies	22,271	-	-	22,271	-	-	22,271
Depreciation	142,581	-	-	142,581	1,456	1,456	145,493
Donor Recognition	63	-	-	63	-	-	63
House Supplies	61,997	13,687	-	75,684	-	194	75,878
Insurance	32,364	-	-	32,364	-	-	32,364
Linens and Laundry	6,569	247	-	6,816	-	-	6,816
Grants	-	-	24,061	24,061	-	-	24,061
Maintenance and Repair	77,183	299	-	77,482	-	2,888	80,370
Meetings, Training, and Seminars	3,999	554	-	4,553	4,899	-	9,452
Office Supplies	3,358	2,118	-	5,476	1,641	4,432	11,549
Other Expenses	121,741	21	-	121,762	8,318	889	130,969
Postage	2,428	41	-	2,469	305	-	2,774
Printing and Publishing	1,640	566	-	2,206	163	9,222	11,591
Professional Fees	-	-	-	-	59,290	-	59,290
Rent	7,557	37,440	-	44,997	-	-	44,997
Technology	12,840	1,935	-	14,775	7,651	500	22,926
Telephone	1,580	-	-	1,580	-	-	1,580
Travel, Meals, and Entertainment	1,579	1,007	-	2,586	1,140	1,517	5,243
Utilities	42,844	-	-	42,844	438	438	43,720
Contract Services	14,334	-	-	14,334	23,192	-	37,526
Miscellaneous Fundraising	9,682	-	-	9,682	417	94,687	104,786
Guest Parking Fees	34,413	-	-	34,413	68	-	34,481
Volunteer Recognition	1,560	105	-	1,665	-	-	1,665
	<u>\$ 923,637</u>	<u>\$ 140,836</u>	<u>\$ 24,061</u>	<u>\$ 1,088,534</u>	<u>\$ 163,314</u>	<u>\$ 244,323</u>	<u>1,496,171</u>
Unallocated Payments to RMHC Global							<u>49,513</u>
Total Expenses							<u>\$ 1,545,684</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services				Supporting Services		
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services	Total	Management and General	Fundraising	Total
Salaries	\$ 259,337	\$ 62,712	\$ -	\$ 322,049	\$ 42,993	\$ 64,201	\$ 429,243
Employee Health and Retirement Benefits	34,237	3,287	-	37,524	5,229	9,098	51,851
Payroll Taxes	20,439	4,910	-	25,349	3,407	5,201	33,957
Total Salaries and Related Expenses	314,013	70,909	-	384,922	51,629	78,500	515,051
Automobile Expenses	2,669	-	-	2,669	-	-	2,669
Cleaning Service and Supplies	85	-	-	85	-	-	85
Depreciation	154,637	-	-	154,637	1,578	1,578	157,793
Donor Recognition	714	215	-	929	-	95	1,024
House Supplies	17,733	18,144	17,229	53,106	-	617	53,723
Insurance	26,966	-	-	26,966	-	-	26,966
Linens and Laundry	6,671	2,652	-	9,323	-	-	9,323
Grants	-	-	104,456	104,456	-	-	104,456
Maintenance and Repair	67,055	7,475	-	74,530	-	447	74,977
Meetings, Training, and Seminars	3,486	1,316	-	4,802	6,642	-	11,444
Office Supplies	3,290	1,254	-	4,544	48	1,899	6,491
Other Expenses	53,765	99	20	53,884	6,929	1,073	61,886
Postage	2,529	647	-	3,176	87	-	3,263
Printing and Publishing	25,650	907	-	26,557	258	-	26,815
Professional Fees	101	-	-	101	36,645	-	36,746
Rent	7,557	34,320	-	41,877	-	-	41,877
Technology	5,601	11,575	690	17,866	1,532	2,285	21,683
Telephone	2,363	-	-	2,363	-	-	2,363
Travel, Meals, and Entertainment	1,559	588	269	2,416	123	321	2,860
Utilities	44,986	-	-	44,986	459	459	45,904
Contract Services	12,204	200	-	12,404	824	-	13,228
Miscellaneous Fundraising	13,956	1,907	-	15,863	-	46,216	62,079
Guest Parking Fees	33,275	-	-	33,275	-	-	33,275
Loss on Disposal of Fixed Assets	-	-	-	-	629	-	629
Volunteer Recognition	1,927	267	-	2,194	-	-	2,194
	<u>\$ 802,792</u>	<u>\$ 152,475</u>	<u>\$ 122,664</u>	<u>\$ 1,077,931</u>	<u>\$ 107,383</u>	<u>\$ 133,490</u>	<u>1,318,804</u>
Unallocated Payments to RMHC Global							<u>48,069</u>
Total Expenses							<u>\$ 1,366,873</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 376,211	\$ 367,146
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	145,493	157,793
Contributed Beneficial Interest	(335,910)	-
Loss on Disposal of Property and Equipment	-	629
Change in Value of Beneficial Interest in Assets Held by Others	(4,679)	-
Net Realized and Unrealized (Gains) Losses on Investments	(97,511)	126,577
Amortization of Beneficial use of Land	7,557	7,557
(Increase) Decrease in Assets:		
Contributions Receivable	171,999	(427,436)
Prepaid Expenses	(16,625)	(23,041)
Other Assets	(517)	(1,051)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	48,142	16,722
Net Cash Provided by Operating Activities	294,160	224,896
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,147,802)	(905,959)
Proceeds from Sale of Investments	2,514,786	648,850
Purchases of Property and Equipment	(83,643)	(208,123)
Net Cash Used by Investing Activities	(716,659)	(465,232)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributed Beneficial Interest	335,910	-
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(86,589)	(240,336)
Cash and Cash Equivalents - Beginning of Year	461,962	702,298
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 375,373	\$ 461,962

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Eastern Iowa & Western Illinois, Inc. (the Organization) is an Iowa nonprofit charitable corporation formed in 1982. The mission of Ronald McDonald House Charities (RMHC) is to create, find, and support programs that directly improve the health and well-being of children. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage, and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities:

Ronald McDonald House

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Iowa City, which provide temporary lodging, meals, and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team, and to participate in critical medical care decisions.

Ronald McDonald Family Room

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal, or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room program in St. Luke's Hospital serves as a place of respite, relaxation, and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 written off when deemed uncollectible. As of December 31, 2016, all receivables are due within one year. The Organization has recorded an allowance for uncollectible receivables of \$30,000 and \$0, as of December 31, 2016 and 2015, respectively.

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. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, 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 \$5,000 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 a tax basis for additions capitalized prior to 2014 and is now calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	5 - 39 Years
Office Furniture and Equipment	5 - 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 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.

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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (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.

Advertising

The Organization expenses advertising costs as incurred.

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 Tax Status

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.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2015 to conform with the presentation for the year ended December 31, 2016. Total assets, net assets, and change in net assets were unchanged due to these reclassifications.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 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.

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

Fair value measurements at December 31, 2016 include:

	Cost	Fair Value	Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 522,178	\$ 580,801	\$ 580,801	\$ -	\$ -
International Equity	291,301	281,778	281,778	-	-
Real Estate	22,450	21,941	21,941	-	-
Asset Allocation	100,875	101,944	101,944	-	-
Bonds	1,156,716	1,138,880	1,138,880	-	-
Equity Securities:					
U.S. Corporate Equity Securities	539,345	556,165	556,165	-	-
Total	<u>2,632,865</u>	<u>2,681,509</u>	<u>2,681,509</u>	-	-
Money Market	<u>58,067</u>	<u>58,067</u>			
Total Investments	2,690,932	2,739,576			
Beneficial Interest in Assets	-	332,801	-	-	332,801
Total	<u>\$ 2,690,932</u>	<u>\$ 3,072,377</u>			

**RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements at December 31, 2015 include:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 884,961	\$ 998,745	\$ 998,745	\$ -	\$ -
International Equity	187,183	162,575	162,575	-	-
Real Estate	33,486	33,024	33,024	-	-
Asset Allocation	-	-	-	-	-
Bonds	1,092,701	1,035,813	1,035,813	-	-
Equity Securities:					
U.S. Corporate Equity Securities	-	-	-	-	-
Total	<u>2,198,331</u>	<u>2,230,157</u>	<u>2,230,157</u>	<u>-</u>	<u>-</u>
Money Market	<u>168,577</u>	<u>168,577</u>			
Total Investments	<u>\$ 2,366,908</u>	<u>\$ 2,398,734</u>			

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments is determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

The composition of investment income on the Organization's investment portfolio for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Interest and Dividend Income	\$ 78,886	\$ 123,814
Realized and Unrealized Gains (Losses), Net	97,511	(126,577)
Less: Investment Expenses	<u>(15,386)</u>	<u>(15,816)</u>
Investment Income, Net	<u>\$ 161,011</u>	<u>\$ (18,579)</u>

**RONALD MCDONALD HOUSE CHARITIES OF
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NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Buildings and Improvements	\$ 4,286,067	\$ 4,286,067
Office Furniture and Equipment	501,212	417,569
Automobile	<u>27,051</u>	<u>27,051</u>
Total, at Cost	4,814,330	4,730,687
Accumulated Depreciation	<u>(2,940,973)</u>	<u>(2,795,481)</u>
Total Property and Equipment	<u><u>\$ 1,873,357</u></u>	<u><u>\$ 1,935,206</u></u>

NOTE 4 BENEFICIAL USE OF LAND

In 1983, the Organization entered into a lease agreement with the University of Iowa whereby the Organization would lease certain land owned by the University of Iowa. The initial term of the lease was for a 45-year period that ends on January 31, 2028. An independent appraisal determined that the fair value of the space at the time of inception was \$304,384. The annual rental value was estimated to be approximately \$7,557 per year. The value remaining on the use of land as of December 31, 2016 and 2015 is \$83,753 and \$91,310, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2016 and 2015, rent expense of \$7,557 was recorded in connection with this lease agreement.

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

A donor has contributed assets to an unrelated third party in exchange for a promise by the unrelated third party to pay a fixed amount for a specified period of time to individuals designated by the donor. Under the terms of the agreement, no trust exists, as the assets received are held by and the liability is an obligation of the unrelated third party. The Organization is named as a beneficiary in the agreements. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Organization received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statements of activities as the change in value of beneficial interest in assets held by others.

NOTE 6 ENDOWMENT FUNDS

The Organization's endowment consists of two individual funds established for specific purposes. Its endowment includes both donor-restricted funds and funds designated by the board of directors to function as an endowment. As required by U.S. GAAP net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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NOTE 6 ENDOWMENT FUNDS (CONTINUED)

Absent explicit donor stipulations to the contrary, the board of directors 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.

Investment Return Objectives, Risk Parameters, and Strategies: The Organization has adopted investment objectives to seek maximum total return consistent with the preservation of principal, diversification, and avoidance of excessive risk. An equity oriented strategy is required to meet the investment objectives. As a result, it is acceptable for the majority of assets to be invested in equity or equity-like securities, including real estate assets (real estate and natural resources). The preferable approach is to invest funds in mutual fund type investments. Real assets provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. A target for asset allocations will be 35-70% equities and 30-65% fixed income. Fixed income assets other than cash equivalents shall have a Moody's or Standard Poor's rating of at least "BAA". A blended benchmark of each sub asset class held within the Organization's portfolio will be utilized for the purpose of evaluating investment and manager performance. The goal shall be to meet or exceed, net of management fees, the return of each sub asset class.

Spending Policy: The spending policy is set by the Board of Directors and is reviewed annually. Currently no spending of the endowment is occurring as the board deems it necessary to grow the endowment.

**RONALD MCDONALD HOUSE CHARITIES OF
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 is as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ -	\$ 940,198	\$ 500,000	\$ 1,440,198
Board-Designated Endowment Funds	1,299,378	-	-	1,299,378
Total Endowment Funds	<u>\$ 1,299,378</u>	<u>\$ 940,198</u>	<u>\$ 500,000</u>	<u>\$ 2,739,576</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ -	\$ 855,351	\$ 500,000	\$ 1,355,351
Board-Designated Endowment Funds	1,043,383	-	-	1,043,383
Total Endowment Funds	<u>\$ 1,043,383</u>	<u>\$ 855,351</u>	<u>\$ 500,000</u>	<u>\$ 2,398,734</u>

Changes in endowment net assets as of December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, December 31, 2014	\$ 902,487	\$ 865,715	\$ 500,000	\$ 2,268,202
Investment Income, Net	44,991	62,118	-	107,109
Net Depreciation (Realized and Unrealized)	(54,095)	(72,482)	-	(126,577)
Contributions	150,000	-	-	150,000
Endowment Net Assets, December 31, 2015	<u>\$ 1,043,383</u>	<u>\$ 855,351</u>	<u>\$ 500,000</u>	<u>\$ 2,398,734</u>
Investment Income, Net	29,812	29,106	-	58,918
Net Appreciation (Realized and Unrealized)	41,770	55,741	-	97,511
Contributions	184,413	-	-	184,413
Endowment Net Assets, December 31, 2016	<u>\$ 1,299,378</u>	<u>\$ 940,198</u>	<u>\$ 500,000</u>	<u>\$ 2,739,576</u>

**RONALD MCDONALD HOUSE CHARITIES OF
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NOTE 7 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following programs and purposes as directed by donors as of December 31:

	<u>2016</u>	<u>2015</u>
Unspent Earnings on Donor-Restricted Endowment Funds	\$ 940,198	\$ 855,351
Beneficial Use of Land	83,753	91,310
St. Luke's Family Room Contributed Lease	102,750	137,514
Memorial Garden	3,558	4,353
Future Operations	349,291	5,425
Remodeling, RMH Iowa City	142,319	6,750
Estate Gifts	-	294,413
Total Temporarily Restricted Net Assets	<u>\$ 1,621,869</u>	<u>\$ 1,395,116</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be spent on Ronald McDonald House operations.

Net assets were released from restrictions for the years ended December 31 as follows:

	<u>2016</u>	<u>2015</u>
Beneficial Use of Land	\$ 7,557	\$ 7,557
St. Luke's Family Room Contributed Lease	34,764	31,203
Memorial Garden	796	1,007
Future Operations	22,181	79,589
Family Room, St. Luke's	-	100,000
Remodeling, RMH Iowa City	4,431	150,000
Estate Gifts	294,413	-
Total Released From Restriction	<u>\$ 364,142</u>	<u>\$ 369,356</u>

**RONALD MCDONALD HOUSE CHARITIES OF
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NOTE 8 DONATED GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31 are as follows:

	2016	2015
Family Support	\$ 118,950	\$ 41,470
Family Room	2,676	171,834
Furniture & Equipment	9,650	4,350
Maintenance	6,396	17,963
Professional Services	1,800	5,200
Total	<u>\$ 139,472</u>	<u>\$ 240,817</u>

NOTE 9 CONTRIBUTED LEASE

The Organization has entered into a lease agreement with St. Luke's Hospital for the Ronald McDonald Family Room beginning in January of 2015. The lease covers a period of five years with options to renew. The value of the contributed lease has been discounted at a rate of 2.2%.

Based on the estimated fair value of the space, the Organization has recorded an asset for the present value of the contributed lease. The calculation of the present value of the contributed lease and the related discount to present value are based on certain estimates of the fair value of the space, its annual lease value, and a discount rate. The contribution receivable is amortized to rent expense over the life of the asset. For the years ended December 31, 2016 and 2015, the Organization recognized \$37,440 and \$34,320 of rent expense under this lease, respectively.

Management believes the contributed lease receivable and discount to present value are reasonable estimates based on information currently known. However, circumstances impacting these estimates could occur which could significantly change these calculations.

Contributed Lease Receivable	\$ 106,080
Less: Discount to Present Value	<u>(3,330)</u>
Net Present Value of Contributed Lease Receivable	<u>\$ 102,750</u>

Amounts Due in Years Ending December 31:	
Less than One Year	\$ 37,440
One to Five Years	<u>68,640</u>
Total	<u>\$ 106,080</u>

**RONALD MCDONALD HOUSE CHARITIES OF
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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 nonprofit 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. During the years ended December 31, 2016 and 2015, the Organization received \$227,619 and \$221,274, respectively, from these revenue streams.

NOTE 11 RETIREMENT PLAN

The Organization provides a 403(b) Retirement Plan (Plan) to all employees with the exception of employees who are students or employees who are expected to work fewer than 1,000 hours in the first 12 months of employment. The Organization may, in its sole discretion, make a non-elective contribution to the Plan on behalf of the employees if they have completed at least 1,000 hours of service during the Plan year or are employed by the Organization on the last day of the Plan year. Non-elective contributions will be allocated to the non-elective contribution accounts of each employee eligible to share in such allocations in the ratio that each employee’s compensation bears to the compensation of all eligible participants. The non-elective contributions are allocated to the participant account at the end of each Plan year. The Organization’s contribution into the Plan for the year ended December 31, 2016 totaled \$22,860.

NOTE 12 CONCENTRATIONS

Contributions totaling \$-0- and \$294,413 were received from a single donor during the years ended December 31, 2016 and 2015, respectively, which represents 0% and 16.80%, respectively, of total public support.

Contributions totaling \$335,910 and \$-0- were received from a single donor during the years ended December 31, 2016 and 2015, respectively, which represents 18.81% and 0%, respectively, of total public support.

**RONALD MCDONALD HOUSE CHARITIES OF
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NOTE 13 SUBSEQUENT EVENTS

A Ronald McDonald Family Room was opened at the University of Iowa Children's Hospital in March 2017. The Organization is responsible for the management, staffing, annual upkeep of the interior design, furniture and fixtures, necessary supplies and printed materials in the designated space.

Subsequent to year-end, the Organization entered into a contract for the replacement of two condensing units in the amount of approximately \$113,000.

Subsequent to year-end, the Organization entered into a contract for the renovation of fourteen bathrooms in the amount of approximately \$83,900.

Management evaluated subsequent events through May 19, 2017, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.



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