

Ronald McDonald House Charities of New Mexico, Inc.



**Ronald McDonald
House Charities®**
New Mexico

Financial Statements
and
Independent Auditor's Report

December 31, 2016 and 2015

**Ronald McDonald House
Charities of New Mexico, Inc.
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Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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 RMHCNM'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 RMHCNM'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 New Mexico, 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.

Loftis Group ^{LLC}

Albuquerque, New Mexico
March 15, 2017

Financial Statements

**Ronald McDonald House
Charities of New Mexico, Inc.**
Statements of Financial Position
December 31,

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 394,775	\$ 182,106
Lodging fees receivable	30,982	36,241
Accrued investment income	2,820	2,571
Contributions receivable, current portion	43,614	34,810
Prepaid expenses	5,886	5,921
Total current assets	478,077	261,649
Contributions receivable, less current portion	225,126	227,363
Investments	3,579,915	3,365,912
Other assets	5,072	8,606
Property, furniture and equipment, net	4,106,413	4,291,082
Total assets	\$ 8,394,603	\$ 8,154,612
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 18,093	\$ 19,683
Accrued expenses	33,772	30,229
Total liabilities	51,865	49,912
Net assets		
Unrestricted		
Designated		
Reserves	1,000,000	1,000,000
Endowment	260,951	260,951
Total Designated	1,260,951	1,260,951
Undesignated	6,134,634	5,769,151
Total unrestricted net assets	7,395,585	7,030,102
Temporarily restricted	318,322	445,867
Permanently restricted	628,831	628,731
Total net assets	8,342,738	8,104,700
Total liabilities and net assets	\$ 8,394,603	\$ 8,154,612

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.
Statement of Activities
For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
Support, Revenue, and Gains					
Public support					
Contributions	\$ 844,361	\$ 120,000	\$ 100	\$ 964,461	\$ 869,666
In-kind contributions	273,687	9,351	-	283,038	272,643
Special events, net of direct benefit expenses of \$35,359	<u>155,416</u>	<u>-</u>	<u>-</u>	<u>155,416</u>	<u>165,456</u>
Total public support	1,273,464	129,351	100	1,402,915	1,307,765
Lodging fees	115,911	-	-	115,911	123,443
Other income	9,481	-	-	9,481	5,368
Investment income (loss)	178,806	35,445	-	214,251	(71,895)
Net assets released from restriction	<u>292,341</u>	<u>(292,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenues, and gains	<u>1,870,003</u>	<u>(127,545)</u>	<u>100</u>	<u>1,742,558</u>	<u>1,364,681</u>
Expenses					
Program services	1,200,031	-	-	1,200,031	1,149,177
Supporting services					
Fundraising	224,067	-	-	224,067	241,200
Management and general	48,563	-	-	48,563	48,902
Unallocated payment to RMHC Global	<u>31,859</u>	<u>-</u>	<u>-</u>	<u>31,859</u>	<u>32,609</u>
Total expenses	<u>1,504,520</u>	<u>-</u>	<u>-</u>	<u>1,504,520</u>	<u>1,471,888</u>
Change in net assets	365,483	(127,545)	100	238,038	(107,207)
Net assets, beginning of year	<u>7,030,102</u>	<u>445,867</u>	<u>628,731</u>	<u>8,104,700</u>	<u>8,211,907</u>
Net assets, end of year	<u>\$ 7,395,585</u>	<u>\$ 318,322</u>	<u>\$ 628,831</u>	<u>\$ 8,342,738</u>	<u>\$ 8,104,700</u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.
Statement of Activities
For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Support, Revenue, and Gains				
Public support				
Contributions	\$ 786,589	\$ 82,977	\$ 100	\$ 869,666
In-kind contributions	263,208	9,435	-	272,643
Special events, net of direct benefit expenses of \$35,264	<u>165,456</u>	<u>-</u>	<u>-</u>	<u>165,456</u>
Total public support	1,215,253	92,412	100	1,307,765
Lodging fees	123,443	-	-	123,443
Other income	5,368	-	-	5,368
Investment loss	(62,097)	(9,798)	-	(71,895)
Loss on disposal of assets	-	-	-	-
Net assets released from restriction	<u>99,414</u>	<u>(99,414)</u>	<u>-</u>	<u>-</u>
Total support, revenues, and gains	<u>1,381,381</u>	<u>(16,800)</u>	<u>100</u>	<u>1,364,681</u>
Expenses				
Program services	1,149,177	-	-	1,149,177
Supporting services				
Fundraising	241,200	-	-	241,200
Management and general	48,902	-	-	48,902
Unallocated payment to RMHC Global	<u>32,609</u>	<u>-</u>	<u>-</u>	<u>32,609</u>
Total expenses	<u>1,471,888</u>	<u>-</u>	<u>-</u>	<u>1,471,888</u>
Change in net assets	(90,507)	(16,800)	100	(107,207)
Net assets, beginning of year	<u>7,120,609</u>	<u>462,667</u>	<u>628,631</u>	<u>8,211,907</u>
Net assets, end of year	<u><u>\$ 7,030,102</u></u>	<u><u>\$ 445,867</u></u>	<u><u>\$ 628,731</u></u>	<u><u>\$ 8,104,700</u></u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016**

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>
Salaries and wages	\$ 394,756	\$ 77,261	\$ 32,531
Supplies	229,764	3,746	228
Depreciation	221,867	2,252	1,127
Land lease	68,066	115	57
Employee benefits	45,158	11,753	4,949
Direct mail services	14,856	44,567	-
Payroll taxes	40,697	8,457	3,700
Repairs and maintenance	42,222	2,819	1,251
Utilities	40,827	414	207
Contract services	19,783	17,089	446
Unallocated payments to RMHC Global	-	-	-
Special events	-	29,039	-
Professional fees	20,267	4,212	1,843
Insurance	20,235	1,354	602
Bank charges	756	14,547	55
Telephone	8,550	1,777	777
Miscellaneous	7,252	2,625	-
Conferences and meetings	8,981	-	-
Bad debt	-	-	-
Postage	3,549	1,312	323
Volunteers	4,848	-	148
Printing	3,505	728	319
Travel	2,341	-	-
Public relations	1,751	-	-
Newsletter	-	-	-
Total expenses	<u>\$ 1,200,031</u>	<u>\$ 224,067</u>	<u>\$ 48,563</u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Statement of Functional Expenses - continued
For the Year Ended December 31, 2016

Unallocated Affiliate Payments	2016 Totals	2015 Totals
\$ -	\$ 504,548	\$ 473,212
-	233,738	216,381
-	225,246	221,744
-	68,238	68,238
-	61,860	63,022
-	59,423	63,646
-	52,854	48,995
-	46,292	47,097
-	41,448	45,623
-	37,318	37,470
31,859	31,859	32,609
-	29,039	38,473
-	26,322	26,221
-	22,191	20,768
-	15,358	18,012
-	11,104	10,764
-	9,877	10,085
-	8,981	10,076
-	-	5,571
-	5,184	4,906
-	4,996	2,986
-	4,552	2,018
-	2,341	2,110
-	1,751	502
-	-	1,359
<u>\$ 31,859</u>	<u>\$ 1,504,520</u>	<u>\$ 1,471,888</u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015**

	Program	Fundraising	Management and General	Unallocated Affiliate Payments	Totals
Salaries and wages	\$ 365,370	\$ 75,889	\$ 31,953	\$ -	\$ 473,212
Supplies	212,749	3,419	213	-	216,381
Depreciation	218,418	2,217	1,109	-	221,744
Land lease	68,065	115	58	-	68,238
Employee benefits	46,006	11,974	5,042	-	63,022
Direct mail services	15,911	47,735	-	-	63,646
Payroll taxes	37,726	7,839	3,430	-	48,995
Repairs and maintenance	42,528	3,166	1,403	-	47,097
Utilities	44,939	456	228	-	45,623
Contract services	19,896	17,134	440	-	37,470
Unallocated payments to RMHC Global	-	-	-	32,609	32,609
Special events	-	38,473	-	-	38,473
Professional fees	20,169	4,216	1,836	-	26,221
Insurance	18,728	1,414	626	-	20,768
Bank charges	737	17,225	50	-	18,012
Telephone	8,288	1,722	754	-	10,764
Miscellaneous	4,646	5,439	-	-	10,085
Conferences and meetings	8,969	-	1,107	-	10,076
Bad debt	5,571	-	-	-	5,571
Postage	3,654	941	311	-	4,906
Volunteers	2,785	-	201	-	2,986
Printing	1,554	323	141	-	2,018
Travel	1,287	823	-	-	2,110
Public relations	502	-	-	-	502
Newsletter	679	680	-	-	1,359
Total expenses	<u>\$ 1,149,177</u>	<u>\$ 241,200</u>	<u>\$ 48,902</u>	<u>\$ 32,609</u>	<u>\$ 1,471,888</u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Statements of Cash Flows
For the Years Ended December 31,

	2016	2015
Cash flows from operating activities		
Cash received from contributions	\$ 961,328	\$ 872,802
Cash received from special events	155,416	155,014
Cash received from lodging revenues	121,170	111,062
Other cash receipts	20,974	16,762
Interest and dividends received	81,328	82,323
Cash paid to employees and suppliers	<u>(1,017,484)</u>	<u>(987,469)</u>
Net cash provided by operating activities	<u>322,732</u>	<u>250,494</u>
Cash flows from investing activities		
Cash paid for House renovations, furniture, and equipment	(40,577)	(75,862)
Purchases of investments	(298,662)	(1,369,036)
Proceeds from the sales and maturities of investments	<u>229,076</u>	<u>1,111,713</u>
Net cash used by investing activities	<u>(110,163)</u>	<u>(333,185)</u>
Cash flows from financing activities		
Cash contributions restricted for endowment	<u>100</u>	<u>100</u>
Net cash provided by financing activities	<u>100</u>	<u>100</u>
Net increase (decrease) in cash and cash equivalents	212,669	(82,591)
Cash and cash equivalents, beginning of year	<u>182,106</u>	<u>264,697</u>
Cash and cash equivalents, end of year	<u>\$ 394,775</u>	<u>\$ 182,106</u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.
Statements of Cash Flows – continued
For the Years Ended December 31,**

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 238,038</u>	<u>\$ (107,207)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	225,246	221,744
Bad debt	-	5,571
Net realized and unrealized (gain) loss on investments	(144,417)	155,024
Amortization of discounts on long-term contributions receivable	(9,435)	(9,435)
Contributions restricted for endowment	(100)	(100)
In-kind land use	11,500	11,500
Changes in assets and liabilities		
Lodging fees receivable	5,259	(17,952)
Contributions receivable	(8,632)	4,839
Accrued investment income	(249)	(806)
Other assets	3,534	(3,668)
Prepaid expenses	35	(579)
Accounts payable	(1,590)	2,005
Accrued liabilities	<u>3,543</u>	<u>(10,442)</u>
Total adjustments	<u>84,694</u>	<u>357,701</u>
Net cash provided by operating activities	<u>\$ 322,732</u>	<u>\$ 250,494</u>

The accompanying notes are an integral part of these financial statements.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

1) Summary of Significant Accounting Policies

Organization Activity

Ronald McDonald House Charities of New Mexico, Inc., (RMHCNM) is a nonprofit corporation established in 1982 under the laws of the state of New Mexico. RMHCNM supports the well-being of children through the following programs:

New Mexico Ronald McDonald House (the “House”) – As the cornerstone program, the House provides temporary lodging, comfort and support for families of seriously ill and injured children who are being treated at Albuquerque medical facilities. The thirty room facility is on the campus of the University of New Mexico.

Ronald McDonald Family Rooms (the “Family Rooms”) – RMHCNM operates two Family Rooms which extend the comfort of the House to a hospital setting. The Family Rooms are located inside the University of New Mexico’s Children’s Hospital and Presbyterian Hospital. Located just steps from neonatal and pediatric intensive care units, these respite spaces provide families of critically ill children a place to rest, get something to eat and even do laundry. Additionally, the Family Room at Presbyterian Hospital includes four overnight sleep rooms to allow families to stay within steps of their child’s hospital bed.

The main sources of revenue and support are from contributions, special events, lodging fees and investment income.

A volunteer board of trustees directs the activities of RMHCNM through professional management.

Cash and Cash Equivalents

For purposes of the statement of cash flows, RMHCNM considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

1) Summary of Significant Accounting Policies — continued

Advertising Costs

Advertising costs are expensed as incurred.

Support

RMHCNM reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Contributed Materials and Services

RMHCNM recognizes contributed services if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services and donated materials are recorded at the estimated fair value on the date of donation. RMHCNM received the following contributed services, materials, and assets during the years ended December 31,:

	<u>2016</u>	<u>2015</u>
House and Family Room supplies	\$ 153,025	\$ 148,170
Family room space	56,738	56,738
Fundraiser supplies and advertising	24,230	28,131
Courier services - fundraising	16,080	16,080
Land use	9,351	9,435
Other professional administrative services	23,614	14,089
Total	<u>\$ 283,038</u>	<u>\$ 272,643</u>

RMHCNM also receives a significant amount of donated services from volunteers for program and fundraising activities. The value of these services has not been recorded as the services do not meet the recognition criteria of FASB ASC 958-10-20, *Accounting for Contributions Received and Contributions Made*.

Income Taxes

RMHCNM is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

1) Summary of Significant Accounting Policies — continued

Income Taxes - continued

The Financial Accounting Standards Board (FASB) issued FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which provides guidance on how to measure and account for various tax positions. RMHCNM determined no material unrecognized tax benefits or liabilities exist as of December 31, 2016 and 2015. If applicable, RMHCNM will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2016 and 2015, RMHCNM had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. RMHCNM does not anticipate any significant changes to unrecognized tax benefits over the next year.

Management of RMHCNM believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has not identified any activities subject to unrelated business income tax. RMHCNM files federal Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service and copies of Form 990 with states in which RMHCNM is registered. The statute of limitations for examination of RMHCNM's returns expires three years from the due date of the return or the date filed, whichever is later. RMHCNM's returns for the years ended December 31, 2013 through 2015, are still open for examination and management anticipates the statute of limitations for the return for the year ended December 31, 2016, will expire in May 2020.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services categories based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

1) Summary of Significant Accounting Policies — continued

Contributions and Lodging Fees Receivable

Contributions and lodging fees receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and other situations that may affect the collection of the receivables. Receivables are charged off in the period in which management determines the receivable is uncollectible. As of December 31, 2016 and 2015, management estimates all receivables to be fully collectible; therefore, no provision for an allowance for uncollectible receivables has been recorded.

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost. Property, furniture, and equipment that are received by donation are recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, RMHCNM reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMHCNM reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated property, furniture, and equipment in excess of \$5,000 is capitalized and depreciated. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from three to forty years.

Subsequent Events

Subsequent events have been evaluated through March 15, 2017, which is the date the financial statements were available to be issued. Management believes that there are no material subsequent events that have arisen that would require accrual.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

2) Contributions Receivable

Contributions receivable consist of pledge receivables and the in-kind land lease receivable and are as follows as of December 31,:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 52,877	\$ 44,161
Receivable in one to five years	46,000	46,000
Receivable in more than five years	<u>414,000</u>	<u>425,500</u>
Total contributions receivable	512,877	515,661
Less unamortized discount	<u>(244,137)</u>	<u>(253,488)</u>
Net contributions receivable	<u>\$ 268,740</u>	<u>\$ 262,173</u>

The amount of the in-kind land lease receivable included above is \$227,363 and \$229,513 as of December 31, 2016 and 2015, respectively, and is amortized at a 4% interest rate.

3) Investments

Investments consist of the following as of December 31,:

	<u>2016</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds	\$ 3,331,473	\$ 3,342,705	\$ 11,232
Money market funds	<u>237,210</u>	<u>237,210</u>	<u>-</u>
Total investments	<u>\$ 3,568,683</u>	<u>\$ 3,579,915</u>	<u>\$ 11,232</u>

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

3) Investments – continued

	2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 3,422,546	\$ 3,278,248	\$ (144,298)
Money market funds	87,664	87,664	-
Total investments	\$ 3,510,210	\$ 3,365,912	\$ (144,298)

Investment income from cash, cash equivalents, and investments is as follows for the years ended December 31,:

	2016	2015
Interest and dividends	\$ 81,328	\$ 94,523
Net realized and unrealized gains (losses)	144,417	(155,024)
Investment expense	(11,493)	(11,394)
Total investment income	\$ 214,251	\$ (71,895)

Investment income is reported net of related investment expenses in the statement of activities. The amount of expenses netted with revenues was approximately \$11,500 and \$11,400 for the years ended December 31, 2016 and 2015, respectively.

**Ronald McDonald House
Charities of New Mexico, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

4) Property, Furniture, and Equipment

Property, furniture, and equipment consist of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 6,161,546	\$ 6,156,241
Furniture and equipment	345,858	310,586
Land improvements	141,328	141,328
Ronald McDonald Family Room	59,086	59,086
Vehicle	<u>34,084</u>	<u>34,084</u>
Total property, furniture, and equipment	6,741,902	6,701,325
Less accumulated depreciation	<u>(2,635,489)</u>	<u>(2,410,243)</u>
Property, furniture, and equipment, net	<u>\$ 4,106,413</u>	<u>\$ 4,291,082</u>

5) Lease

RMHCNM leases land under an operating lease expiring in August 2057. The lease requires RMHCNM to pay \$1 per year with the remaining amount donated. The annual in-kind rent expense was \$11,500 for the years ended December 31, 2016 and 2015.

The future minimum rental commitments as of December 31, 2016, under the land lease are as follows:

<u>Year ending December 31</u>	<u>Cash</u>	<u>In-Kind</u>
2017	\$ 1	\$ 11,500
2018	1	11,500
2019	1	11,500
2020	1	11,500
Thereafter	37	425,500
	<u>\$ 41</u>	<u>\$ 471,500</u>

**Ronald McDonald House
Charities of New Mexico, Inc.
Notes to Financial Statements
December 31, 2016 and 2015**

6) Employee Benefit Plans

RMHCNM provides a Section 403(b) retirement plan for eligible employees. Employees are eligible after one year of service. RMHCNM matches an employee's contributions up to 4% of the participating employee's compensation. Employer contributions to the retirement plan were approximately \$13,900 and \$18,900 for the years ended December 31, 2016 and 2015, respectively.

7) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of December 31,:

	<u>2016</u>	<u>2015</u>
Land lease contribution receivable	\$ 227,364	\$ 229,513
House operations	90,958	211,452
House renovations	-	4,902
Total temporarily restricted net assets	<u>\$ 318,322</u>	<u>\$ 445,867</u>

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8) Permanently Restricted Net Assets and Endowment

Permanently restricted net assets consist of contributions for an endowment. The assets of the endowment consist of a portion of the total investments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Income earned on the original gift of \$528,500 to the endowment is restricted for House operations.

Management of RMHCNM has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, RMHCNM 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RMHCNM in a manner consistent with the standard of prudence prescribed by UPMIFA.

The endowment policies of RMHCNM provide that an amount equal to 50% of the annual investment return, computed using a three-year moving average, may be distributed up to a maximum of 5%, with the remainder reinvested for future spending. Any income not spent in a given year can be reinvested for future spending. RMHCNM investment policies provide the following guidelines: except for obligations issued or guaranteed by the U.S. government or U.S. federal agency, no more than 5% of the investment portfolio shall be invested in the obligations of one issuer; all equities shall be listed on a major stock exchange; all fixed income securities are to be selected from issuers rated A or better by Moody's or Standard and Poor's if managed; and all fixed income securities held directly are to be rated AAA. Permissible investments include securities of the U.S. government and its agencies, certificates of deposits, corporate obligations, common stocks, and mutual funds. The target rate of return is 5% over inflation as measured by the Consumer Price Index.

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8) Permanently Restricted Net Assets and Endowment — continued

The endowment's net asset composition is as follows for the years ended December 31,:

	<u>2016</u>	<u>2015</u>
Permanently restricted net assets		
Original endowment contribution	\$ 528,500	\$ 528,500
Subsequent endowment contributions	<u>100,331</u>	<u>100,231</u>
Total permanently restricted net assets	628,831	628,731
Temporarily restricted net assets		
Income earned on original endowment gift restricted for House operations	-	180,011
Unrestricted net assets		
Board-designated endowment funds	<u>260,951</u>	<u>260,951</u>
Total endowment funds	<u>\$ 889,782</u>	<u>\$ 1,069,693</u>

The changes in permanently restricted and endowment net assets are as follows for the years ended December 31,:

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 260,951</u>	<u>\$ 180,011</u>	<u>\$ 628,731</u>	<u>\$ 1,069,693</u>
Investment return				
Interest and dividend income	-	12,770	-	12,770
Net depreciation (realized and unrealized)	-	<u>22,676</u>	-	<u>22,676</u>
Total investment loss	-	<u>35,446</u>	-	<u>35,446</u>
Contributions	-	-	100	100
Released from restriction	-	<u>(215,457)</u>	-	<u>(215,457)</u>
Endowment net assets, end of year	<u>\$ 260,951</u>	<u>\$ -</u>	<u>\$ 628,831</u>	<u>\$ 889,782</u>

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8) Permanently Restricted Net Assets and Endowment — continued

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 260,951	\$ 189,809	\$ 628,631	\$ 1,079,391
Investment return				
Interest and dividend income	-	15,307	-	15,307
Net depreciation (realized and unrealized)	-	(25,105)	-	(25,105)
Total investment loss	-	(9,798)	-	(9,798)
Contributions	-	-	100	100
Endowment net assets, end of year	\$ 260,951	\$ 180,011	\$ 628,731	\$ 1,069,693

9) **Net Assets Released from Restriction**

Net assets released from restriction consist of the following for the years ended December 31,:

	2016	2015
House operations	\$ 275,939	\$ 82,914
In-kind land use	11,500	11,500
House renovations	4,902	5,000
Total net assets released from restriction	\$ 292,341	\$ 99,414

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10) Fair Value Measurements

The fair value framework provides a 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 are as follows:

Level 1 Inputs – unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 Inputs – include:

- 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.

Level 3 Inputs – unobservable inputs which reflect the organization's own assumptions about the assumptions market participants would use in pricing the asset or liability.

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10) Fair Value Measurements — continued

The following table summarizes the assets of RMHCNM measured at fair value on a recurring basis as of:

	Fair Value Measurements at December 31, 2016 Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Diversified equity	\$ 151,403	\$ 151,403	\$ -	\$ -
Domestic large cap value	245,001	245,001	-	-
Domestic large growth	224,365	224,365	-	-
Domestic large core equity	474,331	474,331	-	-
Domestic small/mid cap	172,867	172,867	-	-
Domestic mid cap equity	79,309	79,309	-	-
Emerging markets	107,174	107,174	-	-
International equity	418,554	418,554	-	-
International multi-cap value	199,478	199,478	-	-
Intermediate-term bonds	168,328	168,328	-	-
Domestic government bonds - AA rated	506,427	506,427	-	-
Domestic government bonds - TIPS	35,988	35,988	-	-
Global macro institutional	211,508	211,508	-	-
Multi-manager real estate income	177,069	177,069	-	-
Strategic Income Opportunities Fund	170,903	170,903	-	-
Money market funds	237,210	237,210	-	-

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10) Fair Value Measurements — continued

	Fair Value Measurements at December 31, 2015 Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Diversified equity	\$ 132,714	\$ 132,714	\$ -	\$ -
Domestic large cap value	214,961	214,961	-	-
Domestic large growth	214,603	214,603	-	-
Domestic large core equity	432,612	432,612	-	-
Domestic small/mid cap	155,436	155,436	-	-
Domestic mid cap equity	69,303	69,303	-	-
Emerging markets	95,461	95,461	-	-
International equity	404,016	404,016	-	-
International multi-cap value	174,758	174,758	-	-
Intermediate-term bonds	156,594	156,594	-	-
Domestic government bonds - AA rated	489,209	489,209	-	-
Domestic government bonds - TIPS	34,878	34,878	-	-
Global macro institutional	145,492	145,492	-	-
Multi-manager real estate income	175,681	175,681	-	-
Strategic Fund	226,005	226,005	-	-
Strategic Income Opportunities Fund	156,525	156,525	-	-
Money market funds	87,664	87,664	-	-

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11) Expense Ratios

The following represents the ratio of program and supporting expenses to total expenses for the years ended December 31:

	2016	2015
Program services	80%	78%
Supporting services		
Fundraising	15%	17%
Management and general	3%	3%
Unallocated payment to RMHC Global	2%	2%
Total supporting services	20%	22%
Total percentages	100%	100%

12) Special Events

RMHCNM has fundraising activities that are classified as special events. This revenue is presented net of direct benefit expenses in the financial statements. Below are the summaries of the significant special events:

For the year ended December 31, 2016:

	Revenues	Direct benefit expenses	Net
Girls Night Out	\$ 106,004	\$ 21,007	\$ 84,997
Swing Fore the House	60,228	9,721	50,507
Other	24,543	4,631	19,912
Total	\$ 190,775	\$ 35,359	\$ 155,416

For the year ended December 31, 2015:

	Revenues	Direct benefit expenses	Net
Girls Night Out	\$ 109,892	\$ 20,675	\$ 89,217
Swing Fore the House	73,467	10,779	62,688
Other	17,361	3,810	13,551
Total	\$ 200,720	\$ 35,264	\$ 165,456