



# Ronald McDonald House Charities of New Mexico, Inc.



**Ronald McDonald  
House Charities®**  
New Mexico

Financial Statements  
and  
Independent Auditor's Report

December 31, 2017 and 2016

**Ronald McDonald House  
Charities of New Mexico, Inc.  
Table of Contents**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-24

## 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, 2017 and 2016, 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, 2017 and 2016, 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 <sup>LLC</sup>

Albuquerque, New Mexico  
March 7, 2018

## Financial Statements

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

	2017	2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 469,073	\$ 394,775
Lodging fees receivable	31,438	30,982
Accrued investment income	-	2,820
Contributions receivable, current portion	57,053	43,614
Prepaid expenses	7,145	5,886
Total current assets	564,709	478,077
Contributions receivable, less current portion	222,886	225,126
Investments	4,275,149	3,579,915
Other assets	5,478	5,072
Property, furniture and equipment, net	3,917,080	4,106,413
Total assets	\$ 8,985,302	\$ 8,394,603
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 20,890	\$ 18,093
Accrued expenses	33,835	33,772
Deferred revenue	20,378	-
Total liabilities	75,103	51,865
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	6,638,911	6,134,634
Total unrestricted net assets	7,899,862	7,395,585
Temporarily restricted	381,206	318,322
Permanently restricted	629,131	628,831
Total net assets	8,910,199	8,342,738
Total liabilities and net assets	\$ 8,985,302	\$ 8,394,603

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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
<b>Support, Revenue, and Gains</b>					
Public support					
Contributions	\$ 899,737	\$ 216,825	\$ 300	\$ 1,116,862	\$ 964,461
In-kind contributions	281,224	9,263	-	290,487	283,038
Special events, net of direct benefit expenses of \$42,089	<u>157,006</u>	<u>-</u>	<u>-</u>	<u>157,006</u>	<u>155,416</u>
Total public support	1,337,967	226,088	300	1,564,355	1,402,915
Lodging fees	95,434	-	-	95,434	115,911
Other income	4,643	-	-	4,643	9,481
Investment income	415,964	74,279	-	490,243	214,251
Loss on disposal of assets	(1,138)	-	-	(1,138)	-
Net assets released from restriction	<u>237,483</u>	<u>(237,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenues, and gains	<u>2,090,353</u>	<u>62,884</u>	<u>300</u>	<u>2,153,537</u>	<u>1,742,558</u>
<b>Expenses</b>					
Program services	1,264,862	-	-	1,264,862	1,200,031
Supporting services					
Fundraising	237,504	-	-	237,504	224,067
Management and general	49,332	-	-	49,332	48,563
Unallocated payment to RMHC Global	<u>34,378</u>	<u>-</u>	<u>-</u>	<u>34,378</u>	<u>31,859</u>
Total expenses	<u>1,586,076</u>	<u>-</u>	<u>-</u>	<u>1,586,076</u>	<u>1,504,520</u>
Change in net assets	504,277	62,884	300	567,461	238,038
Net assets, beginning 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>
<b>Net assets, end of year</b>	<u>\$ 7,899,862</u>	<u>\$ 381,206</u>	<u>\$ 629,131</u>	<u>\$ 8,910,199</u>	<u>\$ 8,342,738</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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Support, Revenue, and Gains</b>				
Public support				
Contributions	\$ 844,361	\$ 120,000	\$ 100	\$ 964,461
In-kind contributions	273,687	9,351	-	283,038
Special events, net of direct benefit expenses of \$35,264	<u>155,416</u>	<u>-</u>	<u>-</u>	<u>155,416</u>
Total public support	1,273,464	129,351	100	1,402,915
Lodging fees	115,911	-	-	115,911
Other income	9,481	-	-	9,481
Investment income	178,806	35,445	-	214,251
Net assets released from restriction	<u>292,341</u>	<u>(292,341)</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>
<b>Expenses</b>				
Program services	1,200,031	-	-	1,200,031
Supporting services				
Fundraising	224,067	-	-	224,067
Management and general	48,563	-	-	48,563
Unallocated payment to RMHC Global	<u>31,859</u>	<u>-</u>	<u>-</u>	<u>31,859</u>
Total expenses	<u>1,504,520</u>	<u>-</u>	<u>-</u>	<u>1,504,520</u>
Change in net assets	365,483	(127,545)	100	238,038
Net assets, beginning of year	<u>7,030,102</u>	<u>445,867</u>	<u>628,731</u>	<u>8,104,700</u>
<b>Net assets, end of year</b>	<u><b>\$ 7,395,585</b></u>	<u><b>\$ 318,322</b></u>	<u><b>\$ 628,831</b></u>	<u><b>\$ 8,342,738</b></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, 2017**

	Program	Fundraising	Management and General	Unallocated Affiliate Payments	2017 Totals	2016 Totals
Salaries and wages	\$ 441,515	\$ 83,852	\$ 33,541	\$ -	\$ 558,908	\$ 504,548
Supplies	245,480	1,380	144	-	247,004	233,738
Depreciation	216,882	2,202	1,101	-	220,185	225,246
Direct mail services	20,511	61,534	-	-	82,045	59,423
Land lease	68,066	115	57	-	68,238	68,238
Employee benefits	47,708	13,252	5,301	-	66,261	61,860
Utilities	42,683	433	217	-	43,333	41,448
Payroll taxes	31,800	6,039	2,415	-	40,254	52,854
Repairs and maintenance	35,658	2,993	1,217	-	39,868	46,292
Contract services	17,759	16,920	340	-	35,019	37,318
Unallocated payments to RMHC Global	-	-	-	34,378	34,378	31,859
Professional fees	21,862	4,151	1,660	-	27,673	26,322
Insurance	21,445	1,349	555	-	23,349	22,191
Special events	-	23,000	-	-	23,000	29,039
Conferences and meetings	20,879	-	-	-	20,879	8,981
Bank charges	862	15,935	50	-	16,847	15,358
Miscellaneous	8,171	1,054	1,667	-	10,892	9,877
Telephone	7,691	1,460	584	-	9,735	11,104
Postage	3,826	1,352	290	-	5,468	5,184
Volunteers	3,845	-	-	-	3,845	4,996
Printing	2,543	483	193	-	3,219	4,552
Travel	3,120	-	-	-	3,120	2,341
Public relations	2,556	-	-	-	2,556	1,751
<b>Total expenses</b>	<b>\$ 1,264,862</b>	<b>\$ 237,504</b>	<b>\$ 49,332</b>	<b>\$ 34,378</b>	<b>\$ 1,586,076</b>	<b>\$ 1,504,520</b>

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**

	Program	Fundraising	Management and General	Unallocated Affiliate Payments	Totals
Salaries and wages	\$ 394,756	\$ 77,261	\$ 32,531	\$ -	\$ 504,548
Supplies	229,764	3,746	228	-	233,738
Depreciation	221,867	2,252	1,127	-	225,246
Direct mail services	14,856	44,567	-	-	59,423
Land lease	68,066	115	57	-	68,238
Employee benefits	45,158	11,753	4,949	-	61,860
Utilities	40,827	414	207	-	41,448
Payroll taxes	40,697	8,457	3,700	-	52,854
Repairs and maintenance	42,222	2,819	1,251	-	46,292
Contract services	19,783	17,089	446	-	37,318
Unallocated payments to RMHC Global	-	-	-	31,859	31,859
Professional fees	20,267	4,212	1,843	-	26,322
Insurance	20,235	1,354	602	-	22,191
Special events	-	29,039	-	-	29,039
Conferences and meetings	8,981	-	-	-	8,981
Bank charges	756	14,547	55	-	15,358
Miscellaneous	7,252	2,625	-	-	9,877
Telephone	8,550	1,777	777	-	11,104
Postage	3,549	1,312	323	-	5,184
Volunteers	4,848	-	148	-	4,996
Printing	3,505	728	319	-	4,552
Travel	2,341	-	-	-	2,341
Public relations	1,751	-	-	-	1,751
Total expenses	<u>\$ 1,200,031</u>	<u>\$ 224,067</u>	<u>\$ 48,563</u>	<u>\$ 31,859</u>	<u>\$ 1,504,520</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,**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Cash received from contributions	\$ 1,104,957	\$ 961,328
Cash received from special events	157,006	155,416
Cash received from lodging revenues	94,978	121,170
Other cash receipts	-	20,974
Interest and dividends received	155,354	81,328
Cash paid to employees and suppliers	<u>(1,061,683)</u>	<u>(1,017,484)</u>
Net cash provided by operating activities	<u>450,612</u>	<u>322,732</u>
<b>Cash flows from investing activities</b>		
Cash paid for House renovations, furniture, and equipment	(31,990)	(40,577)
Purchases of investments	(1,390,181)	(298,662)
Proceeds from the sales and maturities of investments	<u>1,045,557</u>	<u>229,076</u>
Net cash used by investing activities	<u>(376,614)</u>	<u>(110,163)</u>
<b>Cash flows from financing activities</b>		
Cash contributions restricted for endowment	<u>300</u>	<u>100</u>
Net cash provided by financing activities	<u>300</u>	<u>100</u>
Net increase in cash and cash equivalents	74,298	212,669
Cash and cash equivalents, beginning of year	<u>394,775</u>	<u>182,106</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 469,073</u>	<u>\$ 394,775</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>2017</u>	<u>2016</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	<u>\$ 567,461</u>	<u>\$ 238,038</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	220,185	225,246
Net realized and unrealized gain on investments	(350,610)	(144,417)
Amortization of discounts on long-term contributions receivable	(9,351)	(9,435)
Contributions restricted for endowment	(300)	(100)
In-kind land use	11,500	11,500
Loss on disposal of assets	1,138	-
Changes in assets and liabilities		
Lodging fees receivable	(456)	5,259
Contributions receivable	(13,348)	(8,632)
Accrued investment income	2,820	(249)
Other assets	(406)	3,534
Prepaid expenses	(1,259)	35
Accounts payable	2,797	(1,590)
Accrued expenses	63	3,543
Deferred revenue	20,378	-
Total adjustments	<u>(116,849)</u>	<u>84,694</u>
Net cash provided by operating activities	<u>\$ 450,612</u>	<u>\$ 322,732</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, 2017 and 2016

**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, 2017 and 2016

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>2017</u>	<u>2016</u>
House and Family Room supplies	<b>\$ 175,546</b>	\$ 153,025
Family room space	<b>56,738</b>	56,738
Fundraiser supplies and advertising	<b>23,160</b>	24,230
Courier services - fundraising	<b>16,080</b>	16,080
Land use	<b>9,351</b>	9,351
Other professional administrative services	<b>9,612</b>	23,614
Total	<b><u>\$ 290,487</u></b>	<b><u>\$ 283,038</u></b>

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, 2017 and 2016**

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, 2017 and 2016. If applicable, RMHCNM will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2017 and 2016, 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, 2014 through 2016, are still open for examination and management anticipates the statute of limitations for the return for the year ended December 31, 2017, will expire in May 2021.

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, 2017 and 2016**

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, 2017 and 2016, 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 7, 2018, 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, 2017 and 2016

**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>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 66,225	\$ 52,877
Receivable in one to five years	46,000	46,000
Receivable in more than five years	<u>402,500</u>	<u>414,000</u>
Total contributions receivable	514,725	512,877
Less unamortized discount	<u>(234,786)</u>	<u>(244,137)</u>
Net contributions receivable	<u>\$ 279,939</u>	<u>\$ 268,740</u>

The amount of the in-kind land lease receivable included above is \$225,214 and \$227,363 as of December 31, 2017 and 2016, respectively, and is amortized at a 4% interest rate.

**3) Investments**

Investments consist of the following as of December 31,:

	<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds	\$ 3,557,266	\$ 3,792,815	\$ 235,549
Money market funds	<u>482,334</u>	<u>482,334</u>	<u>-</u>
Total investments	<u>\$ 4,039,600</u>	<u>\$ 4,275,149</u>	<u>\$ 235,549</u>

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

3) Investments – continued

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

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

	2017	2016
Interest and dividends	\$ 152,535	\$ 81,328
Net realized gains (losses)	131,226	(8,513)
Net unrealized gains	219,383	152,930
Investment expense	(12,902)	(11,494)
Total investment income	\$ 490,243	\$ 214,251

Investment income is reported net of related investment expenses in the statement of activities. The amount of expenses netted with revenues was approximately \$12,900 and \$11,500 for the years ended December 31, 2017 and 2016, respectively.

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

**4) Property, Furniture, and Equipment**

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

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 6,184,740	\$ 6,161,546
Furniture and equipment	346,138	345,858
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	6,765,376	6,741,902
Less accumulated depreciation	<u>(2,848,296)</u>	<u>(2,635,489)</u>
Property, furniture, and equipment, net	<u>\$ 3,917,080</u>	<u>\$ 4,106,413</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, 2017 and 2016.

The future minimum rental commitments as of December 31, 2017, under the land lease are as follows:

<u>Year ending December 31</u>	<u>Cash</u>	<u>In-Kind</u>
2018	\$ 1	\$ 11,500
2019	1	11,500
2020	1	11,500
2021	1	11,500
Thereafter	<u>36</u>	<u>414,000</u>
	<u>\$ 40</u>	<u>\$ 460,000</u>

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

**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 \$15,000 and \$13,900 for the years ended December 31, 2017 and 2016, respectively.

**7) Temporarily Restricted Net Assets**

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

	<u>2017</u>	<u>2016</u>
Land lease contribution receivable	\$ 225,214	\$ 227,364
House operations	55,992	90,958
House renovations	<u>100,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 381,206</u>	<u>\$ 318,322</u>

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

**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.

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

8) Permanently Restricted Net Assets and Endowment — continued

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

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets		
Original endowment contribution	\$ 528,500	\$ 528,500
Subsequent endowment contributions	<u>100,631</u>	<u>100,331</u>
Total permanently restricted net assets	<b>629,131</b>	628,831
Unrestricted net assets		
Board-designated endowment funds	<u>260,951</u>	<u>260,951</u>
Total endowment funds	<u><b>\$ 890,082</b></u>	<u><b>\$ 889,782</b></u>

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

	<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>\$ -</u>	<u>\$ 628,831</u>	<u>\$ 889,782</u>
Investment return				
Interest and dividend income	-	22,518	-	22,518
Net depreciation (realized and unrealized)	<u>-</u>	<u>51,761</u>	<u>-</u>	<u>51,761</u>
Total investment income	<u>-</u>	<u>74,279</u>	<u>-</u>	<u>74,279</u>
Contributions	-	-	300	300
Released from restriction	<u>-</u>	<u>(74,279)</u>	<u>-</u>	<u>(74,279)</u>
Endowment net assets, end of year	<u><b>\$ 260,951</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 629,131</b></u>	<u><b>\$ 890,082</b></u>

**Ronald McDonald House  
Charities of New Mexico, Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016**

8) Permanently Restricted Net Assets and Endowment — continued

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

9) **Net Assets Released from Restriction**

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

	<b>2017</b>	2016
House operations	\$ 225,983	\$ 275,939
In-kind land use	11,500	11,500
House renovations	-	4,902
Total net assets released from restriction	\$ 237,483	\$ 292,341

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

**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.



**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

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, 2017 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	\$ 164,091	\$ 164,091	\$ -	\$ -
Domestic large cap value	256,155	256,155	-	-
Domestic large growth	270,622	270,622	-	-
Domestic large core equity	220,413	220,413	-	-
Domestic small/mid cap	215,593	215,593	-	-
Domestic mid cap equity	612,906	612,906	-	-
Emerging markets	139,577	139,577	-	-
International equity	557,074	557,074	-	-
International multi-cap value	235,962	235,962	-	-
Intermediate-term bonds	177,309	177,309	-	-
Domestic government bonds - AA rated	532,061	532,061	-	-
Domestic government bonds - TIPS	39,015	39,015	-	-
Multi-manager real estate income	198,571	198,571	-	-
Strategic Income Opportunities Fund	173,466	173,466	-	-
Money market funds	482,334	482,334	-	-

**Ronald McDonald House  
Charities of New Mexico, Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016**

10) Fair Value Measurements — continued

	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	-	-

**Ronald McDonald House  
Charities of New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2017 and 2016

**11) Expense Ratios**

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

	<b>2017</b>	2016
Program services	<b>80%</b>	80%
Supporting services		
Fundraising	<b>15%</b>	15%
Management and general	<b>3%</b>	3%
Unallocated payment to RMHC Global	<b>2%</b>	2%
Total supporting services	<b>20%</b>	20%
Total percentages	<b>100%</b>	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, 2017:

	Revenues	Direct benefit expenses	Net
Girls Night Out	\$ 108,236	\$ 25,468	\$ 82,768
Swing Fore the House	65,171	11,892	53,279
Other	25,688	4,729	20,959
Total	\$ 199,095	\$ 42,089	\$ 157,006

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