

RONALD MCDONALD HOUSE CHARITIES
OF CENTRAL OREGON, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

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YEAR ENDED DECEMBER 31, 2015

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RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

KERKOCCH KATTER & NELSON, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities
of Central Oregon, Inc.
Bend, Oregon

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Oregon, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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

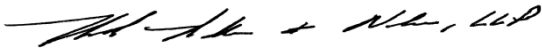
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT - CONTINUED

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 Central Oregon, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Kerkoch Katter & Nelson, LLP
Certified Public Accountants

August 15, 2016

FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 144,700	\$ 73,891
Investments	858,518	896,561
Inventory	2,850	2,795
Current portion of use of land contribution receivable	6,995	6,995
Current portion of note receivable	<u>14,162</u>	<u>13,704</u>
<i>Total current assets</i>	1,027,225	993,946
Use of land contribution receivable (net of current portion)	62,957	69,952
Note receivable (net of current portion)	56,062	70,224
Property and equipment (net of accumulated depreciation of \$512,706 for 2015)	<u>546,416</u>	<u>585,789</u>
<i>Total assets</i>	<u>\$ 1,692,660</u>	<u>\$ 1,719,911</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ <u>29,604</u>	\$ <u>19,498</u>
<i>Total current liabilities</i>	<u>29,604</u>	<u>19,498</u>
Net assets		
Unrestricted		
Operations	1,002,910	993,899
Property and equipment	546,416	585,789
Temporarily restricted	69,952	76,947
Permanently restricted	<u>43,778</u>	<u> </u>
<i>Total net assets</i>	<u>1,663,056</u>	<u>1,700,413</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,692,660</u>	<u>\$ 1,719,911</u>

The accompanying notes are an integral part
of the financial statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Totals</i>	
				<i>2015</i>	<i>2014</i>
<i>SUPPORT & REVENUE</i>					
Contributions and grants	\$ 252,112	\$	\$	\$ 252,112	\$ 263,268
Special events (net of \$71,278 of expenses in 2015)	210,169			210,169	94,615
Lodging income	6,195			6,195	19,920
Interest & dividends	11,801			11,801	12,806
Unrealized gain (loss) on investment	(16,006)			(16,006)	14,827
Other income	2,029			2,029	1,900
Net assets released from restrictions	6,995	(6,995)			
<i>Total support and revenue</i>	<u>473,295</u>	<u>(6,995)</u>		<u>466,300</u>	<u>407,336</u>
<i>EXPENSES</i>					
Program services	367,549			367,549	328,079
Management and general	63,195			63,195	49,631
Fundraising	72,913			72,913	79,044
<i>Total expenses</i>	<u>503,657</u>			<u>503,657</u>	<u>456,754</u>
<i>CHANGE IN NET ASSETS</i>	(30,362)	(6,995)		(37,357)	(49,418)
<i>NET ASSETS - beginning of year</i>	<u>1,579,688</u>	<u>76,947</u>	<u>43,778</u>	<u>1,700,413</u>	<u>1,749,831</u>
<i>NET ASSETS - end of year</i>	<u>\$ 1,549,326</u>	<u>\$ 69,952</u>	<u>\$ 43,778</u>	<u>\$ 1,663,056</u>	<u>\$ 1,700,413</u>

The accompanying notes are an integral part
of the financial statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Totals</i>	
				<i>2015</i>	<i>2014</i>
Salaries	\$ 142,946	\$ 25,810	\$ 29,780	\$ 198,536	\$ 208,553
Payroll taxes and benefits	60,252	10,880	12,552	83,684	59,545
Repairs and maintenance	33,237	6,001	6,924	46,162	20,377
Office and supplies	27,547	4,974	5,739	38,260	45,396
Occupancy	21,434	3,870	4,466	29,770	27,472
Insurance	10,651	1,923	2,219	14,793	10,773
Grant expense	17,558			17,558	21,860
Meetings and travel	8,523	1,539	1,775	11,837	7,727
Security	3,266	590	680	4,536	3,496
Volunteer & staff recognition	2,236	404	466	3,106	2,326
Professional services	11,550	2,086	2,406	16,042	11,180
<i>Total expenses before depreciation</i>	<u>339,200</u>	<u>58,077</u>	<u>67,007</u>	<u>464,284</u>	<u>418,705</u>
Depreciation	<u>28,349</u>	<u>5,118</u>	<u>5,906</u>	<u>39,373</u>	<u>38,052</u>
<i>Total expenses</i>	<u>\$ 367,549</u>	<u>\$ 63,195</u>	<u>\$ 72,913</u>	<u>\$ 503,657</u>	<u>\$ 456,757</u>

The accompanying notes are an integral part
of the financial statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (37,357)	\$ (49,418)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	39,373	38,052
Unrealized (gain) loss on investments	16,006	(14,827)
(Increase) decrease in operating activities:		
Inventory	(55)	400
Use of land contribution	6,995	6,995
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	<u>10,106</u>	<u>10,346</u>
 <i>Net cash provided by (used in) operating activities</i>	 <u>35,068</u>	 <u>(8,452)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment		(25,208)
Principal payments on notes receivable	13,704	12,833
(Increase) decrease in investments	<u>22,037</u>	<u>(43,387)</u>
 <i>Net cash provided by (used in) investing activities</i>	 <u>35,741</u>	 <u>(55,762)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 70,809	 (64,214)
CASH AND CASH EQUIVALENTS - beginning of year	<u>73,891</u>	<u>8,259</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 144,700</u>	<u>\$ (55,955)</u>

The accompanying notes are an integral part
of the financial statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Ronald McDonald House Charities of Central Oregon, Inc. (the Organization) is a nonprofit corporation located in Bend, Oregon. The Organization's mission is to create a safe and healing environment for children and families facing medical challenges in Central Oregon. The needs of these families range from care for the seriously ill to preplanned surgeries for childhood conditions. The Organization is funded primarily through contributions from the general public and special fundraising events.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles, and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements of Not-For-Profit Organizations. Under SFAS, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Revenue with restrictions that are met in the year of receipt is recorded as unrestricted.

Functional Allocation of Expenses

The costs of providing various program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. The Organization utilizes a simplified cost allocation method, whereby specifically identifiable costs are charged directly to the grant or service, and indirect costs are allocated among services and grants through an allocation base.

Income Taxes

The financial statements do not reflect the effects of income taxes. The Organization has been granted tax exempt status under code section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation within the meaning of Section 509(a)(2) of the code.

Subsequent Events

Subsequent events have been evaluated through August 15, 2016, which is the date the financial statements were issued.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

The preparation of financial statements in conformity with 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.

Comparative Financial Information

The financial statements and notes to the financial statements contain certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014 from which the summarized information was derived.

Inventory

Food and supplies are donated to the Organization from various sources in the community. Inventory is valued at estimated fair value.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	20-40 years
Furniture and fixtures	7 years
Equipment	7 years

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 that 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 value.

Contributions

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions - Continued

Contributions of donated noncash assets are recorded at their fair values in the period received. According to SFAS, contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by the donation, are recorded at their fair values in the period received.

Revenue Recognition

Revenue from contributions and grants is considered available for unrestricted use unless specifically restricted by the donor. Rental income is recognized at the time the revenue is earned.

Contributions receivable

Contributions receivable, which are collectible in one year or less, are recorded at estimated net realizable value. Contributions receivable, which are collectible in more than one year, are recorded at the present value of estimated future cash flows.

In-Kind Donations

The Organization receives significant goods and services in the form of in-kind donations. These in-kind donations have been recorded as income in the "contributions and grants" line as well as the "special events" line, depending on the purpose. The corresponding expense has been recorded in the appropriate expense area of the statement of activities. For the years ended December 31, 2015 and 2014, the Organization received \$33,965 and \$45,285 of in-kind donations, respectively.

Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates fair value. For purposes of the statement of cash flows, Ronald McDonald House Charities of Central Oregon, Inc. considers all cash investments with maturities of three months or less to be cash and cash equivalents.

Retirement Plan

The Organization contributes, on a discretionary basis, to a Simple IRA retirement plan. Contributions for the years ended December 31, 2015 and 2014 totaled \$4,207 and \$4,296, respectively.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 - FUND STRUCTURE

A brief description of the various funds used by the Organization in accounting for their activities is as follows.

Unrestricted Funds

These funds account for unrestricted contributions and provides for administration and operation of the Organization. Equipment acquisitions, including the recording of their cost and depreciation are also included in the unrestricted funds.

Temporarily Restricted Funds

These funds are used to account for contributions that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Funds

The endowment funds account for the collection and disbursement of restricted contributions of which the income portion is, if not specifically required to be added to the capital, transferred to the unrestricted or temporarily restricted funds.

NOTE 3 – INVESTMENTS

Investments are composed of money market funds, certificates of deposit and mutual funds investing in debt and equity securities and are carried at fair value. Investment income is recorded as earned. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

NOTE 4 – INVENTORY

The Organization maintains an inventory of food, paper products, and cleaning supplies for use at the house. Most of these items are donated and are recorded at fair value.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 940,332	\$ 940,332
Furniture and fixtures	61,403	61,403
Equipment	57,387	57,387
Less accumulated depreciation	<u>(512,706)</u>	<u>(473,333)</u>
<i>Net equipment</i>	<u>\$ 546,416</u>	<u>\$ 585,789</u>

Depreciation expense amounted to \$39,373 and \$38,052 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of brokerage accounts in financial institutions.

NOTE 7 – USE OF LAND CONTRIBUTION RECEIVABLE

Ronald McDonald House Charities of Central Oregon, Inc. has entered into a land lease agreement with St. Charles Medical Center, an unrelated nonprofit organization. Under the terms of the lease, the organization rents approximately 2.5 acres of land on which their building is located for \$100 per year until the year 2025. The remaining commitment under the lease is as follows.

Year end December 31, 2016	\$ 100
2017	100
2018	100
2019	100
2020	100
Thereafter	<u>500</u>
	<u>\$ 1,000</u>

Due to the fact that the fair value of the land lease is in excess of the cost, the Organization has recorded a “use of land contribution receivable” representing the present value of this contribution. At December 31, 2015 and 2014 management estimates the fair value of the lease receivable to be \$70,224 and \$76,947, respectively.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 8 – NOTE RECEIVABLE

Ronald McDonald House Charities of Central Oregon, Inc. has entered into a property sale agreement in the original amount of \$138,375. Under the terms of the agreement, the Organization will receive monthly payments beginning on September 1, 2010 in the amount of \$1,355 including interest at 3.29%. The following is a schedule of anticipated future principal payments on the note receivable:

Year end December 31, 2016	\$	14,162
2017		14,635
2018		15,162
2019		15,846
2020		<u>10,419</u>
	\$	<u>70,224</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Use of land contribution receivable	<u>\$ 70,224</u>	<u>\$ 76,947</u>

During the years ended December 31, 2015 and 2014, net assets of \$6,995 were released from restriction due to the occurrence of events specified by donors and the passage of time.

NOTE 10 – SPECIAL EVENTS

The following schedules are a comparison of revenue and expenses by special events for the years ended December 31, 2015 and 2014.

	<u>2015</u>		<u>Net</u>	
	<u>Revenue</u>	<u>Expenses</u>	<u>2015</u>	<u>2014</u>
Golf Tournament	\$ 138,721	\$ 59,994	\$ 78,727	\$ 59,776
Other events	<u>142,726</u>	<u>11,284</u>	<u>131,442</u>	<u>34,839</u>
	<u>\$ 281,447</u>	<u>\$ 71,278</u>	<u>\$ 210,169</u>	<u>\$ 94,615</u>

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 11 – INCOME TAXES AND UNCERTAIN TAX POSITIONS

The Organization will recognize in the financial statements the benefit of the tax position when it believes that the tax position will more likely than not be sustained in an audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activities, substantial lobbying expenditures or excessive unrelated business activities. The Organization has concluded that it had no unrecognized income tax liability as of December 31, 2015 and it has no tax positions for which it estimates a significant change over the next twelve months.

NOTE 12 – FAIR VALUE MEASUREMENT

Financial Accounting Standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the established framework are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 – Inputs to the valuation methodology include;
 - o Quoted prices for similar assets or liabilities in active markets;
 - o Quoted prices for identical assets or liabilities in inactive markets;
 - o Inputs other than quoted prices that are observable for the asset or liability; and
 - o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset or liability's fair value of measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 12 – FAIR VALUE MEASUREMENTS - CONTINUED

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: The valuation methodology is unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Certificates of Deposit: The valuation methodology is unadjusted quoted prices for identical assets in active markets that the plan has the ability to access.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 778,618	\$	\$	\$ 778,618
Certificates of deposit and savings	<u>79,900</u>	<u></u>	<u></u>	<u>79,900</u>
Total fair value	<u>\$ 858,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 858,518</u>

