



**RONALD MCDONALD HOUSE CHARITIES
OF N.E. KANSAS INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015





990 SW Fairlawn ■ Topeka, KS 66606
Main: 785.272.3176 ■ Fax: 785.272.2903 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of N.E. Kansas, Inc.
Topeka, Kansas

We have audited the accompanying financial statements of Ronald McDonald House Charities of N.E. Kansas, Inc. (the "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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Organization'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 Organization'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 N.E. Kansas, 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 conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
July 28, 2017

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Statements of Financial Position
December 31,

Assets

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 83,828	\$ 56,250
Investments	1,523,016	1,542,409
Land, building and equipment, net	<u>373,104</u>	<u>396,170</u>
Total assets	<u>\$1,979,948</u>	<u>\$1,994,829</u>

Liabilities and Net Assets

Liabilities:		
Accrued sales and payroll taxes	\$ <u>859</u>	\$ <u>1,083</u>
Total liabilities	<u>859</u>	<u>1,083</u>
Net assets:		
Unrestricted	1,202,751	1,184,103
Temporarily restricted	105,164	138,469
Permanently restricted	<u>671,174</u>	<u>671,174</u>
Total net assets	<u>1,979,089</u>	<u>1,993,746</u>
Total liabilities and net assets	<u>\$1,979,948</u>	<u>\$1,994,829</u>

The accompanying summary of significant accounting policies
and notes are an integral part of these statements

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Statements of Activities
For the Years Ended December 31,

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and other support:				
Contributions:				
McDonald's co-op	\$ 17,889	\$ -	\$ -	\$ 17,889
Charitable organizations	20,042			20,042
Corporate donations	17,556			17,556
Individual donations	27,171			27,171
Donated services	25,401			25,401
Fundraisers	153,522			153,522
Grants	15,000			15,000
Major gifts/planned giving	1,400			1,400
Building and capital improvements fund		9,926		9,926
Total contributions	277,981	9,926	-	287,907
Other:				
Room rental	27,273			27,273
Investment income, net	23,307			23,307
Other	2,131			2,131
Realized and unrealized gains (losses) on investments	96,752	-	-	96,752
Total other	149,463	-	-	149,463
Net assets released from restrictions:				
Satisfaction of program restrictions	43,231	(43,231)	-	-
Total revenue and other support	470,675	(33,305)	-	437,370
Expenses:				
Program services	307,260			307,260
General and administrative	66,451			66,451
Fundraising	78,316			78,316
Total expenses	452,027	-	-	452,027
Change in net assets	18,648	(33,305)	-	(14,657)
Net assets at beginning of year	1,184,103	138,469	671,174	1,993,746
Net assets at end of year	\$1,202,751	\$ 105,164	\$ 671,174	\$1,979,089

The accompanying summary of significant accounting policies
and notes are an integral part of these statements

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 25,926	\$ -	\$ -	\$ 25,926
16,070			16,070
22,083			22,083
27,872			27,872
12,703			12,703
115,382			115,382
10,500			10,500
	<u>11,998</u>	<u>10,536</u>	<u>22,534</u>
<u>230,536</u>	<u>11,998</u>	<u>10,536</u>	<u>253,070</u>
19,616			19,616
21,969			21,969
918			918
<u>(46,693)</u>	<u>-</u>	<u>-</u>	<u>(46,693)</u>
<u>(4,190)</u>	<u>-</u>	<u>-</u>	<u>(4,190)</u>
<u>21,667</u>	<u>(21,667)</u>	<u>-</u>	<u>-</u>
<u>248,013</u>	<u>(9,669)</u>	<u>10,536</u>	<u>248,880</u>
298,257			298,257
54,765			54,765
69,200			69,200
<u>422,222</u>	<u>-</u>	<u>-</u>	<u>422,222</u>
(174,209)	(9,669)	10,536	(173,342)
<u>1,358,312</u>	<u>148,138</u>	<u>660,638</u>	<u>2,167,088</u>
<u>\$1,184,103</u>	<u>\$ 138,469</u>	<u>\$ 671,174</u>	<u>\$1,993,746</u>

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Statements of Functional Expenses
For the Years Ended December 31,

	2016			
	Program Services	General and Administrative	Fund- Raising	Total
Management:				
Salaries	\$136,410	\$ 13,750	\$ 13,750	\$163,910
Health and hospitalization	1,944	6,268		8,212
Payroll taxes	12,886	1,146	1,146	15,178
Employer IRA match				
Auto expense and travel		<u>1,919</u>		<u>1,919</u>
Total management	<u>151,240</u>	<u>23,083</u>	<u>14,896</u>	<u>189,219</u>
Other expenses:				
Contract maintenance	9,089			9,089
Depreciation	37,568			37,568
Security	2,045			2,045
Bank charges		2,993		2,993
Internet and cable	1,899			1,899
House supplies	2,639			2,639
Insurance	11,415			11,415
Interest				
Laundry				
Management education		365		365
Repairs and maintenance:				
House	43,335			43,335
Grounds	737			737
Trainings and meetings	506			506
Meals		79		79
Office supplies	1,172	1,857	139	3,168
Postage	90	430		520
Fees:				
Accounting		29,835		29,835
Legal		4,540		4,540
Communication and marketing		1,127	59	1,186
Taxes and licenses	297			297
Telephone	479	2,082		2,561
Travel – Nonlocal	1,370			1,370
Utilities	17,879			17,879
Operations in kind	25,401			25,401
Volunteer recognition		34		34
Miscellaneous	99	26	316	441
Fees – Fundraiser			275	275
Direct fundraising expense				
Fundraising – Pull a Plane			5,564	5,564
Fundraising – Run for Ronald				
Annual event			48,149	48,149
Grants			<u>8,918</u>	<u>8,918</u>
Total other expenses	<u>156,020</u>	<u>43,368</u>	<u>63,420</u>	<u>262,808</u>
Total expenses	<u>\$307,260</u>	<u>\$ 66,451</u>	<u>\$ 78,316</u>	<u>\$452,027</u>

The accompanying summary of significant accounting policies
and notes are an integral part of these statements

2015			
Program Services	General and Administrative	Fund- Raising	Total
\$144,477	\$ 14,286	\$ 14,285	\$173,048
12,281	176		12,457
14,768	1,326	1,326	17,420
1,374			1,374
	<u>1,549</u>		<u>1,549</u>
<u>172,900</u>	<u>17,337</u>	<u>15,611</u>	<u>205,848</u>
8,876			8,876
36,310			36,310
2,848			2,848
	1,773		1,773
1,782			1,782
1,950			1,950
26,120			26,120
104			104
64			64
8,753	850		9,603
1,216			1,216
1,135			1,135
220	183		403
1,372	2,800	39	4,211
64	699	1,926	2,689
	14,981		14,981
	9,097		9,097
	1,452	6,173	7,625
206			206
1,999	1,687		3,686
1,761			1,761
17,701	494		18,195
12,703			12,703
173	141		314
	3,271		3,271
		4,968	4,968
		1,998	1,998
		33,485	33,485
		<u>5,000</u>	<u>5,000</u>
<u>125,357</u>	<u>37,428</u>	<u>53,589</u>	<u>216,374</u>
<u>\$298,257</u>	<u>\$ 54,765</u>	<u>\$ 69,200</u>	<u>\$422,222</u>

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Statements of Cash Flows
For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>(14,657)</u>	\$ <u>(173,342)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	37,568	36,310
Net realized and unrealized (gain) loss on investments	(96,752)	46,693
Change in:		
Accounts payable and accrued expenses	<u>(224)</u>	<u>489</u>
Total adjustments	<u>(59,408)</u>	<u>83,492</u>
Net cash used in operating activities	<u>(74,065)</u>	<u>(89,850)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	623,413	426,508
Purchase of investments	(507,268)	(312,703)
Purchase of equipment	(14,502)	(32,562)
Proceeds from sale of equipment	<u>15,154</u>	<u>15,154</u>
Net cash provided by investing activities	<u>101,643</u>	<u>96,397</u>
Net change in cash and cash equivalents	27,578	6,547
Cash and cash equivalents, beginning of year	<u>56,250</u>	<u>49,703</u>
Cash and cash equivalents, end of year	\$ <u>83,828</u>	\$ <u>56,250</u>

The accompanying summary of significant accounting policies
and notes are an integral part of these statements

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Summary of Significant Accounting Policies December 31, 2016 and 2015

Organization

The mission of Ronald McDonald House Charities of N.E. Kansas, Inc. (the Organization) is to provide a home away from home for families of seriously ill children staying at nearby hospitals. The Organization is supported primarily through contributions.

Basis of Presentation

The Organization's financial statements present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement

Assets recorded at fair value are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs are other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs are unobservable and significant to the asset and include situations where there is little, if any, market activity.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management's perceived risk of that fund.

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Summary of Significant Accounting Policies December 31, 2016 and 2015

Fair Value Measurement (Continued)

Publicly-held investments that are traded on an active exchange are valued at the quoted market prices based on the last sale price on the measurement date. Quoted market prices in an active market are classified as a Level 1 input. If an active market does not exist for such publicly-held equity investments, alternate valuation models using Level 2 or Level 3 inputs may be used to determine fair value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted market prices, with any realized or unrealized gains and losses included in the statement of activities.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or estimated fair value at the date of donation. Contributions of long-lived assets donated without donor-imposed restrictions are recorded as unrestricted support. Contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted support; those restrictions expire when the long-lived assets are placed in service.

Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired.

For financial reporting purposes, depreciation is determined on the straight-line basis over the estimated useful lives of the related assets.

Contributions

The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires either due to time or because the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated materials and services are recorded at the estimated fair value at the time received or when an unconditional promise to give has been made.

Many individuals volunteer their time and talents assisting the Organization in accomplishing its mission. Donated services are recognized in the financial statements when:

- The services received either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased if not provided by donation.

The Organization received revenue and had related expenses for donated materials and services totaling \$25,401 in 2016 and \$12,703 in 2015.

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Summary of Significant Accounting Policies December 31, 2016 and 2015

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Income from unrelated activities is subject to income tax under the Internal Revenue Code. The Organization reported no income tax liability for 2016 or 2015.

The Organization files income tax returns in the U.S. federal and Kansas jurisdictions. There are currently no examinations of the Organization's income tax returns in progress.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and interest-bearing deposits with commercial banks, purchased with initial maturity dates of three months or less, are considered to be cash equivalents.

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Notes to Financial Statements December 31, 2016 and 2015

1. Investments

The fair values of investments are based on the estimate of the amount expected to be realized if investments are sold or otherwise disposed of in an orderly transaction within a reasonable period of time. Fair value is determined using various levels of “inputs.” When available, quoted market prices in the active market for identical assets (Level 1 inputs) are used to determine fair value. If quoted market prices are not available, the Organization uses valuation techniques that place greater reliance on other observable factors (Level 2 inputs) and unobservable factors (Level 3 inputs). All investments are valued using Level 1 inputs except corporate bonds, which are valued using Level 2 inputs, and Manhattan Community Foundation, which is valued using Level 3 inputs. There were no changes in the investments classified as Level 3 investments during the year ended December 31, 2016.

Investments held at December 31 are summarized as follows by investment type:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 38,106	\$ 45,305
Manhattan Community Foundation	10,536	10,536
Bonds	19,099	51,560
Mutual funds	779,603	764,287
Stocks	<u>675,672</u>	<u>670,721</u>
Total investments at fair value	<u>\$1,523,016</u>	<u>\$1,542,409</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2016 and 2015, there were no significant transfers into or out of Levels 1, 2 or 3.

2. Land, Buildings and Equipment

Land, buildings and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 150,211	\$ 150,211
House – 825 Buchanan	261,232	261,232
Remodeling and construction costs	795,808	795,808
Equipment and furniture	<u>217,651</u>	<u>203,149</u>
	1,424,902	1,410,400
Less accumulated depreciation	<u>1,051,798</u>	<u>1,014,230</u>
	<u>\$ 373,104</u>	<u>\$ 396,170</u>

RONALD McDONALD HOUSE CHARITIES OF N.E. KANSAS, INC.

Notes to Financial Statements
December 31, 2016 and 2015

3. Restrictions on Net Assets

The Organization's temporarily restricted assets at December 31 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Cash	\$ 89,812	\$ 123,670
Investments	<u>15,352</u>	<u>14,799</u>
	<u>\$ 105,164</u>	<u>\$ 138,469</u>

The above assets are temporarily restricted due to certain purpose restrictions.

The Organization's permanently restricted assets at December 31 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Investments	\$ <u>671,174</u>	\$ <u>671,174</u>

The Organization's permanently restricted net assets consist of investments that are to be held permanently. The income from these assets is available to support the Organization's general activities.

4. Cash and Equivalents

The Organization maintains cash and interest-bearing deposits in various high-quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation; however, balances may occasionally exceed federally insured limits.

5. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Total net assets and change in net assets are unchanged due to these reclassifications.

6. Subsequent Events

The Organization has evaluated subsequent events through July 28, 2017 which is the date the financial statements were available to be issued. No events were significant enough to warrant disclosures in the accompanying financial statements or notes.