

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

**RONALD MCDONALD HOUSE CHARITIES
OF GREATER WASHINGTON, D.C., INC.
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YEARS ENDED DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.
Falls Church, Virginia

We have audited the accompanying financial statements of Ronald McDonald House Charities of Greater Washington, D.C., Inc. ("RMHC" or the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Board of Directors
Ronald McDonald House Charities
of Greater Washington, D.C., Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Greater Washington, D.C., Inc. as of December 31, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
May 31, 2016

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 860,804	\$ 1,295,561
Contributions Receivable	265,092	40,898
Accounts Receivable	13,587	-
Prepaid Expenses	4,948	6,381
Total Current Assets	1,144,431	1,342,840
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	788,142	27,226
INVESTMENTS	12,534,823	12,927,043
PROPERTY AND EQUIPMENT		
Land and Improvements	1,801,825	1,801,825
Building and Improvements	7,609,538	7,487,497
Furniture and Equipment	967,436	965,976
Website	4,000	4,000
	10,382,799	10,259,298
Less: Accumulated Depreciation and Amortization	2,315,851	2,046,755
Total Property and Equipment	8,066,948	8,212,543
TOTAL ASSETS	\$ 22,534,344	\$ 22,509,652
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 205,009	\$ 119,162
NET ASSETS		
Unrestricted		
Board Designated	8,066,948	8,212,543
Undesignated	11,590,719	12,424,247
Total Unrestricted	19,657,667	20,636,790
Temporarily Restricted	2,181,168	1,263,200
Permanently Restricted	490,500	490,500
Total Net Assets	22,329,335	22,390,490
TOTAL LIABILITIES AND NET ASSETS	\$ 22,534,344	\$ 22,509,652

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Contribution and Fundraising Events	\$ 1,038,197	\$ 1,163,142	\$ -	\$ 2,201,339	\$ 1,025,362	\$ 42,908	\$ -	\$ 1,068,270
Donations - Room Occupants	43,677	-	-	43,677	36,751	-	-	36,751
Other Donations	612,661	-	-	612,661	380,073	-	-	380,073
Donated Materials	78,321	-	-	78,321	123,034	-	-	123,034
Special Events, Less Direct Expense of \$26,086 and \$82,068, Respectively	56,084	-	-	56,084	105,772	-	-	105,772
Realized Gains on Sale of Investments	369,514	-	-	369,514	445,982	-	-	445,982
Unrealized (Loss) Gain on Investments	(658,247)	161,304	-	(496,943)	200,528	(21,978)	-	178,550
Interest and Dividends	288,224	23,496	-	311,720	323,370	22,440	-	345,810
Other	37,296	-	-	37,296	6,275	-	-	6,275
Net Assets Released from Restrictions	429,974	(429,974)	-	-	40,920	(40,920)	-	-
Total Public Support and Revenue	2,295,701	917,968	-	3,213,669	2,688,067	2,450	-	2,690,517
EXPENSES								
Program Services								
Ronald McDonald House	2,166,961	-	-	2,166,961	2,013,962	-	-	2,013,962
Grants and Scholarships	506,954	-	-	506,954	115,238	-	-	115,238
Total Program Services	2,673,915	-	-	2,673,915	2,129,200	-	-	2,129,200
Support Services								
Management and General	331,751	-	-	331,751	295,745	-	-	295,745
Fundraising	269,158	-	-	269,158	292,992	-	-	292,992
Total Supporting Services	600,909	-	-	600,909	588,737	-	-	588,737
Total Expenses	3,274,824	-	-	3,274,824	2,717,937	-	-	2,717,937
CHANGE IN NET ASSETS	(979,123)	917,968	-	(61,155)	(29,870)	2,450	-	(27,420)
NET ASSETS, BEGINNING OF YEAR	20,636,790	1,263,200	490,500	22,390,490	20,666,660	1,260,750	490,500	22,417,910
NET ASSETS, END OF YEAR	<u>\$ 19,657,667</u>	<u>\$ 2,181,168</u>	<u>\$ 490,500</u>	<u>\$ 22,329,335</u>	<u>\$ 20,636,790</u>	<u>\$ 1,263,200</u>	<u>\$ 490,500</u>	<u>\$ 22,390,490</u>

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services			Supporting Services			Total Expenses
	Houses	Grants	Total	Management and General	Fundraising	Total	
Employee Costs	\$ 1,009,879	\$ 13,909	\$ 1,023,788	\$ 242,057	\$ 104,272	\$ 346,329	\$ 1,370,117
Grants and Family Assistance	150,520	489,673	640,193	-	-	-	640,193
Depreciation and Amortization	292,597	1,257	293,854	3,202	2,154	5,356	299,210
Professional Fees	108,910	630	109,540	78,217	2,383	80,600	190,140
Counterbox Expenses	-	-	-	-	104,414	104,414	104,414
Insurance	58,221	340	58,561	1,415	747	2,162	60,723
Supplies	45,565	272	45,837	1,131	597	1,728	47,565
Repairs and Maintenance	76,392	446	76,838	1,856	980	2,836	79,674
Printing, Mailing, and Postage	13,263	77	13,340	322	170	492	13,832
Utilities	59,918	350	60,268	1,456	769	2,225	62,493
Telephone	25,784	-	25,784	-	-	-	25,784
Travel and Meetings	17,328	-	17,328	2,095	-	2,095	19,423
Other	38,425	-	38,425	-	943	943	39,368
Other Outside Services	268,933	-	268,933	-	51,729	51,729	320,662
Family Transportation	1,226	-	1,226	-	-	-	1,226
Total	\$ 2,166,961	\$ 506,954	\$ 2,673,915	\$ 331,751	\$ 269,158	\$ 600,909	\$ 3,274,824

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	Program Services			Supporting Services			Total Expenses
	Houses	Grants	Total	Management and General	Fundraising	Total	
Employee Costs	\$ 893,117	\$ 12,954	\$ 906,071	\$ 209,151	\$ 90,208	\$ 299,359	\$ 1,205,430
Grants and Family Assistance	150,130	98,750	248,880	-	-	-	248,880
Depreciation and Amortization	273,015	1,171	274,186	2,649	54,682	57,331	331,517
Professional Fees	46,176	274	46,450	73,641	592	74,233	120,683
Counterbox Expenses	-	-	-	-	115,600	115,600	115,600
Insurance	61,245	364	61,609	1,430	785	2,215	63,824
Supplies	85,116	506	85,622	1,987	1,091	3,078	88,700
Repairs and Maintenance	83,869	498	84,367	1,958	1,075	3,033	87,400
Printing, Mailing, and Postage	56,732	337	57,069	1,324	727	2,051	59,120
Utilities	64,683	384	65,067	1,510	829	2,339	67,406
Telephone	24,971	-	24,971	-	-	-	24,971
Travel and Meetings	19,365	-	19,365	2,095	-	2,095	21,460
Other	26,343	-	26,343	-	1,139	1,139	27,482
Other Outside Services	228,178	-	228,178	-	26,264	26,264	254,442
Family Transportation	1,022	-	1,022	-	-	-	1,022
Total	\$ 2,013,962	\$ 115,238	\$ 2,129,200	\$ 295,745	\$ 292,992	\$ 588,737	\$ 2,717,937

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (61,155)	\$ (27,420)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	299,210	331,517
Donated Property and Equipment	(36,885)	(28,950)
Donated Stock	-	(1,488)
Realized Gains on Sale of Investments	(369,514)	(445,982)
Unrealized Loss (Gain) on Investments	496,943	(178,550)
Gain on Sale of Property and Equipment	(16,186)	-
Effects of Changes in Operating Assets and Liabilities:		
Pledges and Contributions Receivable	(985,110)	294,403
Accounts Receivable	(13,587)	-
Prepaid Expenses	1,433	10,191
Accounts Payable and Accrued Expenses	85,847	58,354
Deferred Revenue	-	(140)
Net Cash Provided by (Used in) Operating Activities	(599,004)	11,935
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(122,044)	(23,842)
Proceeds from Sale of Property and Equipment	21,500	42,167
Purchase of Investments	(2,664,081)	(4,342,790)
Proceeds from Sale of Investments	2,928,872	4,874,610
Net Cash Provided by Investing Activities	164,247	550,145
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(434,757)	562,080
Cash and Cash Equivalents, Beginning of Year	1,295,561	733,481
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 860,804	\$ 1,295,561
SUPPLEMENTAL DISCLOSURES		
Donated Property and Equipment	\$ 36,885	\$ 28,950
Donated Stock	\$ -	\$ 1,488

See accompanying Notes to the Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Greater Washington, D.C., Inc. ("RMHC" or the "Organization") is a nonprofit 501(c)(3) organization whose purpose is to provide housing and other related assistance for childhood leukemia/oncology or other illnesses and infirmities and for the families of such individuals, and to provide encouragement and hope to those individuals and their families while involved in the treatment programs in the medical facilities located in the Washington, D.C. metropolitan area.

RMHC owns and operates, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), two Ronald McDonald Houses located in Washington, D.C. and Northern Virginia. It also maintains a family room at Children's National Medical Center, and supports a Ronald McDonald Care Mobile in partnership with Georgetown University Hospital Kids Mobile Medical Clinic Program. RMHC also supports other children's charities through its grant program and participates in a scholarship program in conjunction with RMHC Global.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Income Taxes

The Organization is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue code. The Internal Revenue Service determined that the Organization is not a private foundation.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers money market funds and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Receivables are written off when all collection efforts are exhausted. All receivables are deemed collectible by management at December 31, 2015 and 2014.

Investments

Investments are recorded at fair value.

Fair Value Measurements

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchases of furniture and equipment greater than \$1,000 are capitalized at cost. Donated assets are recorded at their estimated market value on the date of donation. Property and equipment are depreciated over estimated useful lives of five to forty-five years on a straight-line basis.

The land on which the Northern Virginia Ronald McDonald House is located is leased from Inova Fairfax Hospital Systems, Inc. The lease is at the rate of \$1 per year expiring in October 2026. The fair value of this land lease is deemed immaterial to the overall financial statements and, thus, no amount is recorded in the financial statements.

Net Assets

The Organization's resources are classified for accounting and reporting purposes into net assets groups based on the existence or absence of donor or time imposed restrictions. The net asset groups are as follows:

Unrestricted - represents resources available for support of the operations of the Organization. The Board has designated funds for property and equipment and capital improvements.

Temporarily Restricted - represents resources received by the Organization from contributors or grantors that are purpose and/or time restricted by the donors.

Permanently Restricted - represents resources received by the Organization from contributors or grantors that are to be held in perpetuity. The investment earnings on the permanently restricted net assets are reflected in the statements of activities as components of temporarily restricted net assets and released from restrictions as funds are expended for the restricted purposes.

Contributions

Revenues from contributions are considered to be available for unrestricted use and are recognized as revenue when an unconditional pledge is received or when cash is received if no pledge exists. Contributions that are restricted for use in a later time period or purpose restricted are recognized as temporarily restricted net assets. Temporarily restricted net assets become unrestricted when the time restrictions expire or when the purpose restrictions are met. Contributions that are restricted that are released in the same year are presented as unrestricted.

Contributions of donated goods are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received and also recorded as an expense. However, no value is recorded for the services of unpaid volunteers who have made significant contributions of their time in all areas of operations.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 31, 2016, the date the financial statements were available to be issued.

Uniform Prudent Management of Institutional Funds Act

Under the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA), all unappropriated endowment fund assets are considered restricted.

NOTE 2 FINANCIAL RISK

Credit Risk

Financial instruments which subject the Organization to a concentration of credit risk consist of demand deposits placed with financial institutions. At times during the year the Organization had funds invested with local financial institutions in excess of the Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses on such deposits.

Market Risk

RMHC invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3 CONTRIBUTIONS RECEIVABLE

As of December 31, 2015 and 2014, contributions receivable consist of the following:

	2015	2014
Contributions Receivable	\$ 1,140,092	\$ 68,124
Less Discount	(86,858)	-
Total Net Contributions Receivable	<u>\$ 1,053,234</u>	<u>\$ 68,124</u>
Due within One Year	\$ 265,092	\$ 40,898
Due One to Five Years	788,142	27,226
	<u>\$ 1,053,234</u>	<u>\$ 68,124</u>

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31, 2015 and 2014:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money Market	\$ 205,318	\$ 205,318	\$ 304,655	\$ 304,655
Equities	9,300,511	7,560,188	9,541,684	7,323,076
Corporate Bonds	3,028,994	3,063,473	3,080,704	3,096,525
Total Investments	<u>\$ 12,534,823</u>	<u>\$ 10,828,979</u>	<u>\$ 12,927,043</u>	<u>\$ 10,724,256</u>

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014.

	2015			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 205,318	\$ -	\$ -	\$ 205,318
Equities	9,300,511	-	-	9,300,511
Corporate Bonds	-	3,028,994	-	3,028,994
Total	<u>\$ 9,505,829</u>	<u>\$ 3,028,994</u>	<u>\$ -</u>	<u>\$ 12,534,823</u>

	2014			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 304,655	\$ -	\$ -	\$ 304,655
Equities	9,541,684	-	-	9,541,684
Corporate Bonds	-	3,080,704	-	3,080,704
Total	<u>\$ 9,846,339</u>	<u>\$ 3,080,704</u>	<u>\$ -</u>	<u>\$ 12,927,043</u>

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2015 and 2014:

	2015	2014
DC House - Playground	\$ 7,750	\$ 7,750
Caremobile #2	850,001	1,250,000
Time	1,163,142	-
House Operations	160,275	5,450
	\$ 2,181,168	\$ 1,263,200

Temporarily restricted net assets were released from restrictions for the following purposes for the years ended December 31:

	2015	2014
Caremobile #2	\$ 399,999	\$ -
House Operations	5,450	3,395
DC House - Game Room	-	3,000
NOVA Share a Night	-	10,000
Endowment Fund	24,525	24,525
	\$ 429,974	\$ 40,920

NOTE 6 ENDOWMENTS

In March 1993, RMHC received a donation of shares of common stock of the McDonald's Corporation from Mrs. Ray Kroc. This gift was valued at \$490,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses. Investment income related to the gift is recorded as increases/decreases in temporarily restricted net assets.

The Board of Directors of the Organization has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 ENDOWMENTS (CONTINUED)

The Organization's endowment investment policy is focused on preservation of capital and all amounts are invested in donated common stock of the McDonald's Corporation.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy approved by the Board of Directors the endowment assets are invested in a manner with long term orientation and without undue exposure to risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending rate policy will be five percent (5%). Over the long term, the Organization expects to allow its endowment to grow annually, consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through new contributions and investment returns.

Strategies Employed for Achieving Objectives

To satisfy its long term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends) by holding on to the original donated investments.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 ENDOWMENTS (CONTINUED)

The endowment net assets and activity for 2015 and 2014 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2014	\$ (37,552)	\$ -	\$ 490,500	\$ 452,948
Investment Gain	-	462	-	462
Appropriations	-	(24,525)	-	(24,525)
Transfer to Unrestricted Net Assets	(24,063)	24,063	-	-
Endowment Net Assets, December 31, 2014	(61,615)	-	490,500	428,885
Investment Gain	-	184,800	-	184,800
Appropriations	-	(24,525)	-	(24,525)
Transfer from Unrestricted Net Assets	61,615	(61,615)	-	-
Endowment Net Assets, December 31, 2015	<u>\$ -</u>	<u>\$ 98,660</u>	<u>\$ 490,500</u>	<u>\$ 589,160</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets. The deficiencies at December 31, 2015 and 2014, were \$-0- and \$61,615, respectively.

NOTE 7 IN-KIND DONATIONS

At December 31, 2015 and 2014, donated materials include donations of property and equipment of \$36,885 and \$28,950, respectively. Other donated in-kind items received were utilities and supplies which benefitted program and fundraising totaling \$41,436 and \$92,596 for the years ended December 31, 2015 and 2014, respectively.

NOTE 8 RONALD MCDONALD HOUSE CHARITIES LICENSE

The RMHC holds a license from McDonald's Corporation and Ronald McDonald House Charities, Inc. (global) to operate in the community. The license agreement requires the Organization to remit twenty-five percent (25%) of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities, Inc. on a quarterly basis. In some cases, the fundraising amounts are collected by the global organization and the net amount is remitted to RMHC. In other cases the Organization receives the gross proceeds and remits 25 percent to the global organization. RMHC remitted \$138,547 and \$136,118 from canister collections to the global organization in 2015 and 2014, respectively. These amounts are recorded against contribution income on the statements of activities.

Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

**RONALD MCDONALD HOUSE CHARITIES OF
GREATER WASHINGTON, D.C., INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 9 PENSION PLAN

The Organization has a 401(k) tax-sheltered annuity retirement plan. The plan is a defined contribution plan under which all employees can make voluntary contributions up to the IRS maximum. There is also a provision for discretionary contributions by the employer for the benefit of those employees who work at least 1,000 hours per year and have completed 1 year of service. All participants are fully vested in all contributions made. For 2015 and 2014, the Organization matched eligible employee contributions up to 5 percent of each employee's compensation, resulting in pension expense of \$43,285 and \$34,731, respectively.

NOTE 10 ALLOCATION OF JOINT COST

The Organization incurs joint costs for informational materials and activities that included fundraising appeals. The following is a summary of the allocation of these joint costs for the years ended December 31:

	2015	2014
Program Services	\$ 137,803	\$ 87,474
Fundraising	51,657	26,264
	\$ 189,460	\$ 113,738

NOTE 11 SUBSEQUENT EVENTS

In January 2016, the Organization, under a license agreement with Ronald McDonald House Charities, Inc. (RMHC Global), opened a family room at Inova Fairfax Medical Center.