RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

YEARS ENDED DECEMBER 31, 2017 AND 2016

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

YEARS ENDED DECEMBER 31, 2017 AND 2016

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Independent Auditors' Report

Board of Directors and Management
Ronald McDonald House Charities of Southern Arizona, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of Ronald McDonald House Charities of Southern Arizona, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2017, 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 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 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 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.

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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 Southern Arizona, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Ronald McDonald House Charities of Southern Arizona, Inc. as of and for the year ended December 31, 2016, were audited by other auditors whose report dated April 17, 2017, expressed an unmodified opinion on those statements.

BeachFleischman PC

Tucson, Arizona
May 14, 2018

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	$ 1,318,459	$ 1,074,471
Accounts receivable	13,544	46,748
Bequest receivable	87,500	500,000
Investments	4,546,176	3,682,100
Prepaid expenses	8,525	6,649
Total current assets	5,974,204	5,309,968
Property and equipment, net	3,772,897	3,840,234
Investments whose use is limited	506,250	506,250
Land lease, net	654,720	671,088
Total assets	$ 10,908,071	$ 10,327,540

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable	$ 11,759	$ 20,427
Accrued expenses and other liabilities	20,025	33,045
Deferred grant obligation	-	65,000
Total current liabilities	31,784	118,472
Total liabilities	31,784	118,472
Commitments and contingencies		
Net assets:		
Unrestricted	9,646,429	8,992,295
Temporarily restricted	723,608	710,523
Permanently restricted	506,250	506,250
Total net assets	10,876,287	10,209,068
Total liabilities and net assets	$ 10,908,071	$ 10,327,540

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:				
Public support:				
Bequests and legacies	$ 107,921	$ -	$ -	$ 107,921
Contributions	796,654	94,582	-	891,236
Special events	290,032	-	-	290,032
Program service fees	150,989	-	-	150,989
In-kind contributions	79,580	-	-	79,580
Grants	54,300	-	-	54,300
Other support	4,590	-	-	4,590
Total public support	1,484,066	94,582	-	1,578,648
Investment income, net	546,987	-	-	546,987
Net assets released from restrictions	81,497	(81,497)	-	-
	2,112,550	13,085	-	2,125,635
Expenses:				
Program services	1,091,116	-	-	1,091,116
General and administrative	127,951	-	-	127,951
Fundraising	227,737	-	-	227,737
Remittances to RMHC, Inc.	11,612	-	-	11,612
	1,458,416	-	-	1,458,416
Change in net assets	654,134	13,085	-	667,219
Net assets, beginning	8,992,295	710,523	506,250	10,209,068
Net assets, ending	$ 9,646,429	$ 723,608	$ 506,250	$ 10,876,287

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:				
Public support:				
Bequests and legacies	$ 750,143	$ -	$ -	$ 750,143
Contributions	673,921	49,633	-	723,554
Special events	317,198	-	-	317,198
Program service fees	125,705	-	-	125,705
In-kind contributions	60,299	-	-	60,299
Grants	30,500	-	-	30,500
Other support	5,669	-	-	5,669
Total public support	1,963,435	49,633	-	2,013,068
Investment income, net	164,088	-	-	164,088
Net assets released from restrictions	39,955	(39,955)	-	-
	2,167,478	9,678	-	2,177,156
Expenses:				
Program services	1,056,226	-	-	1,056,226
General and administrative	128,026	-	-	128,026
Fundraising	210,078	-	-	210,078
Remittances to RMHC, Inc.	16,334	-	-	16,334
	1,410,664	-	-	1,410,664
Change in net assets	756,814	9,678	-	766,492
Net assets, beginning	8,235,481	700,845	506,250	9,442,576
Net assets, ending	$ 8,992,295	$ 710,523	$ 506,250	$ 10,209,068

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program	General and Administrative	Fundraising	Total expenses
Payroll	$ 475,075	$ 47,996	$ 48,122	$ 571,193
Benefits	71,885	8,620	8,345	88,850
Payroll taxes	36,735	3,777	3,762	44,274
	583,695	60,393	60,229	704,317
Conferences and meetings	1,589	6,246	5,538	13,373
Depreciation	135,040	27,008	6,752	168,800
Donor and volunteer recognition	5,915	1,128	3,850	10,893
Dues and subscriptions	2,410	949	4,824	8,183
House expense	36,074	-	486	36,560
Household supplies	18,144	-	-	18,144
Insurance	23,089	2,919	1,731	27,739
Miscellaneous expense	2,811	336	15,868	19,015
Office supplies	1,456	1,511	1,382	4,349
Postage	1,689	265	2,521	4,475
Printing and publication	6,999	1,603	3,045	11,647
Professional services	39,622	8,039	21,081	68,742
Promotions	15,678	-	95,106	110,784
Rent - land lease	13,094	2,619	655	16,368
Repairs and maintenance	45,778	2,027	507	48,312
Special event direct costs	92,370	-	-	92,370
Telephone	17,730	2,057	724	20,511
Travel and transportation	3,695	2,003	1,226	6,924
Utilities	44,238	8,848	2,212	55,298
	$ 1,091,116	$ 127,951	$ 227,737	$ 1,446,804

See notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program	General and Administrative	Fundraising	Total expenses
Payroll	$ 447,351	$ 53,636	$ 49,993	$ 550,980
Benefits	43,183	5,621	5,150	53,954
Payroll taxes	33,890	4,027	3,766	41,683
	524,424	63,284	58,909	646,617
Conferences and meetings	1,697	2,907	3,542	8,146
Depreciation	137,098	27,419	6,855	171,372
Donor and volunteer recognition	7,860	3,856	6,629	18,345
Dues and subscriptions	2,166	377	1,839	4,382
House expense	35,642	-	-	35,642
Household supplies	24,745	-	-	24,745
Insurance	20,798	2,543	1,415	24,756
Miscellaneous expense	1,438	421	9,008	10,867
Office supplies	3,686	1,713	1,416	6,815
Postage	1,339	400	3,546	5,285
Printing and publication	6,158	991	11,289	18,438
Professional services	31,422	8,152	6,623	46,197
Promotions	74,987	-	91,928	166,915
Rent - land lease	13,094	2,619	655	16,368
Repairs and maintenance	33,564	1,747	546	35,857
Special event direct costs	71,780	-	-	71,780
Telephone	18,967	2,186	772	21,925
Travel transportation	4,190	1,176	3,048	8,414
Utilities	41,171	8,235	2,058	51,464
	$ 1,056,226	$ 128,026	$ 210,078	$ 1,394,330

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN ARIZONA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 667,219	$ 766,492
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Donated securities	(27,985)	(27,575)
Net realized and unrealized gains on investments	(474,809)	(104,345)
Depreciation	168,800	171,372
Donated equipment	(40,664)	(25,000)
Amortization of land lease	16,368	16,368
Scheduled release of deferred grant obligation	(65,000)	(65,000)
Changes in operating assets and liabilities:		
Accounts receivable	33,204	(14,378)
Bequest receivable	412,500	(500,000)
Prepaid expenses	(1,876)	3,337
Accounts payable	(8,668)	(1,833)
Accrued expenses	(13,020)	9,735
Net adjustments	(1,150)	(537,319)
Net cash provided by operating activities	666,069	229,173
Cash flows from investing activities:		
Purchases of property and equipment	(60,800)	(15,139)
Purchases of investments	(1,917,003)	(3,248,776)
Proceeds from sale of investments	1,555,722	2,880,491
Net cash used in investing activities	(422,081)	(383,424)
Net increase (decrease) in cash and cash equivalents	243,988	(154,251)
Cash and cash equivalents, beginning	1,074,471	1,228,722
Cash and cash equivalents, ending	$ 1,318,459	$ 1,074,471

See notes to financial statements.

1. Description of organization and summary of significant accounting policies:

Organization:

Ronald McDonald House Charities of Southern Arizona, Inc. (the Organization) is a nonprofit corporation organized in Arizona. The mission of the Organization is to create, find and support programs that directly improve the health and well-being of children and their families. In Southern Arizona, the primary services are to provide a home-away-from-home for families with critically ill children; a Ronald McDonald Family Room at Banner's Diamond Children's Medical Center, to give families of pediatric patients a place to rest and regroup; and Caring Carts at both Diamond Children's and Tucson Medical Center, to share snacks, toys for kids and goodwill throughout the neonatal intensive care and pediatric units. The Organization's primary funding comes from public contributions.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 could differ from those estimates.

Financial statement presentation:

The Organization reports 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. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

- Temporarily restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time.

- Permanently restricted - Net assets that are subject to donor-imposed stipulations that assets be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions.

1. Description of organization and summary of significant accounting policies (continued):

Revenues and support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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. Endowment contributions are reported as additions to permanently restricted net assets.

Revenues from special events and program service fees are recorded when the event or program has occurred.

Support arising from donated goods and services is recognized in the financial statements at its fair value. Donated services are recognized when the services received meet one of the following criteria:

(a) create or enhance nonfinancial assets
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

The Organization recorded contributed services and materials support and related expenses of $79,580 and $60,299, of which $40,664 and $25,000 were capitalized as property and equipment during the years ended December 31, 2017 and 2016.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

1. Description of organization and summary of significant accounting policies (continued):

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at their fair value in the statements of financial position determined by quoted market prices. Donated investments are recorded at fair value at the date of gift. Investment gains and losses are included in the changes in net assets in the accompanying statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or legal requirements.

Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. The fair value of investment securities is estimated based upon the last trade price on a national securities exchange or in the over-the-counter market. If no trade price is reported for the measurement date, the fair value is estimated based upon the current bid price at the close of business on the measurement date.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and that the market participants are independent, knowledgeable, able and willing to transact an exchange. GAAP also clarifies that the reporting entity's nonperformance risk (credit risk) should be considered in valuing liabilities.

GAAP establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. 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 fair value for qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Accounts receivable:

Accounts receivable consists principally of uncollateralized amounts due from governmental agencies and unconditional promises to give from donors. The Organization considers amounts over 30 days to be past due. Receivable balances are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided.

1. Description of organization and summary of significant accounting policies (continued):

Bequests receivable:

Support arising from bequests and legacies is recognized by the Organization when it has been established that there are no uncertainties as to the beneficiaries and the amounts can be reasonably estimated. The net balance of these bequests receivable is $87,500 and $500,000 at December 31, 2017 and 2016.

Property, equipment, and depreciation:

Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment with a value of greater than or equal to $1,000 and a useful life of more than one year is capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets.

Buildings and building improvements	10 - 40 years
Equipment	3 - 7 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years

Endowments:

The Organization's endowment consists of funds established under donor restriction. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization adheres to Arizona's version (titled the "Management of Charitable Funds Act" (the Act)) of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and follows GAAP rules pertaining to the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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) net investment income from the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the net investment income is added to the fund. The remaining portion of the net investment income in 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 the Act.

1. Description of organization and summary of significant accounting policies (continued):

Program expense allocations:

Expenses that can be identified with a specific program are charged directly to the program according to their natural expense classification. Costs incurred that share a common purpose are allocated to programs. Allocation bases include employee count, salary expenses, square footage and other operating expenses.

Advertising:

Advertising costs are expensed as incurred. Total advertising expense was $85,434 and $143,496 for 2017 and 2016.

Income taxes:

The Organization is exempt from income taxes under both federal Internal Revenue Code (IRC) §501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under IRC §509(a)(2). Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

GAAP requires management to perform an evaluation of all tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

The Organization is required to file informational returns for federal and state purposes and, if it has UBTI, federal and state income tax returns. Management has performed its evaluation of tax positions taken for all open tax years and has determined that there were no positions taken that do not meet the "more likely than not" standard.

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which are classified as general and administrative expenses if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to December 31, 2017 through May 14, 2018, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Investments:

	2017	2016
Fixed income securities	$ 2,274,776	$ 1,930,482
U.S. equities	1,877,015	1,504,409
International equities	662,176	540,352
Campbell fund trust	186,191	177,975
Other	52,268	35,132
Total investments at fair value	5,052,426	4,188,350
Less investments whose use is limited:		
Endowments	506,250	506,250
	$ 4,546,176	$ 3,682,100

Net Investment income for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Interest and dividends	$ 120,225	$ 103,586
Net realized and unrealized gains on investments	474,809	104,345
Investment expense	(48,047)	(43,843)
Investment income, net	$ 546,987	$ 164,088

3. Fair value measurements:

The fair value of assets measured on a recurring basis is as follows as of December 31:

	2017	2016
Investments at level 1:		
Fixed income securities	$ 2,274,776	$ 1,930,482
U.S. equities	1,877,015	1,504,409
International equities	662,176	540,352
Other	52,268	35,132
Investments measured at net asset value:		
Campbell fund trust	186,191	177,975
	$ 5,052,426	$ 4,188,350

3. Fair value measurements (continued):

The fair value of the level 1 investments above have been measured on a recurring basis using the market approach and priced based on quoted market information.

The investment in the Campbell fund trust is valued based on its net asset value. The fund primarily invests and reinvests in futures contracts. The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2017 and 2016.

December 31, 2017	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Campbell fund trust	$ 186,191	-	Monthly	5 days prior to month end

December 31, 2016	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Campbell fund trust	$ 177,975	-	Monthly	5 days prior to month end

4. Property and equipment:

	2017	2016
Buildings and building improvements	$ 5,098,621	$ 5,037,141
Equipment	159,980	158,316
Furniture and fixtures	277,943	239,624
Vehicles	52,959	52,959
	5,589,503	5,488,040
Less accumulated depreciation	1,816,606	1,647,806
	$ 3,772,897	$ 3,840,234

5. Land lease:

The Organization is leasing the land upon which the current facility has been built. The lease term is 50 years at an annual rental of $1. The fair market value of the land at inception was approximately $818,400. Annual amortization of the lease value is $16,368. The contribution has been recorded as temporarily restricted support to reflect the use restriction of the land to the operation of the Ronald McDonald House for the 50-year lease term. The organization will release $16,368 to unrestricted net assets annually over the 50-year lease term. As of December 31, 2017 and 2016, the value of the land lease, net of accumulated amortization, is $654,720 and $671,088.

6. Deferred grant obligation:

During the year ended December 31, 2005, Angel Charity made a $550,000 pledge to Ronald McDonald House Charities of Southern Arizona, Inc. in support of a capital campaign. The pledge was increased to $650,000 during the year ended December 31, 2006. On November 27, 2007, the Organization executed a non-recourse, non interest-bearing promissory note in favor of Angel Charity in the amount of $650,000. The note provides that on the condition the Organization continues to utilize the facility to provide the Ronald McDonald House services, Angel Charity will forgive the note at a rate of $65,000 per year for a ten-year period beginning with the year ended November 27, 2008 so that by the maturity date of November 27, 2017, the entire $650,000 shall have been forgiven by Angel Charity. At December 31, 2016, the balance of the deferred grant obligation was $65,000. At December 31, 2017, there was no remaining balance of the deferred grant obligation.

7. Unrestricted net assets:

Unrestricted net assets at December 31, 2017 and 2016 is as follows:

	2017	2016
Undesignated and available for operations	$ 4,898,135	$ 4,196,758
Investment in property and equipment, net	3,772,897	3,775,234
Board designated:		
Reserve for operations	500,000	500,000
Property replacement	445,570	484,076
Program expansion	26,313	26,313
Family emergency fund	3,514	-
Marketing plan	-	9,914
	$ 9,646,429	$ 8,992,295

8. Temporarily restricted net assets:

Temporarily restricted net asset activity for the years ended December 31, 2017 and 2016 is as follows:

	2017			
	Beginning balance	Contributions/ increases	Releases	Ending balance
Land lease	$ 671,088	$ -	$ (16,368)	$ 654,720
Global grant fund	22,500	22,500	(31,282)	13,718
Family room	7,390	37,400	(18,758)	26,032
Family fund	4,060	8,550	(9,799)	2,811
Other donor restricted	5,485	26,132	(5,290)	26,327
	$ 710,523	$ 94,582	$ (81,497)	$ 723,608

	2016			
	Beginning balance	Contributions/ increases	Releases	Ending balance
Land lease	$ 687,456	$ -	$ (16,368)	$ 671,088
Global grant fund	3,190	22,500	(3,190)	22,500
Family room	9,330	7,510	(9,450)	7,390
Family fund	-	4,500	(440)	4,060
Other donor restricted	869	15,123	(10,507)	5,485
	$ 700,845	$ 49,633	$ (39,955)	$ 710,523

9. Permanently restricted net assets:

At December 31, 2017 and 2016, permanently restricted net assets consist of the following:

	2017	2016
Donor-designated endowment fund	$ 506,250	$ 506,250

9. Permanently restricted net assets (continued):

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested with a growth and income style of investing in a portfolio comprised of cash, fixed income securities, equities and mutual funds. Investment income is appropriated for expenditure in the year earned, and is, therefore, included in unrestricted net assets. For the years ending December 31, 2017 and 2016, investment income related to the endowment was $54,808 and $19,832 and is included in unrestricted net investment income.

There were no changes in endowment net assets during the years ended December 31, 2017 and 2016.

10. Special events:

Special event activities for the year ended December 31, 2017 are:

	Revenue	Direct Donor Benefit Costs	Indirect Expenses	Net
Ronald McDonald House Party	$ 200,180	$ 72,298	$ 8,007	$ 119,875
Walk for Kids	89,852	20,072	8,259	61,521
	$ 290,032	$ 92,370	$ 16,266	$ 181,396

Special event activities for the year ended December 31, 2016 are:

	Revenue	Direct Donor Benefit Costs	Indirect Expenses	Net
Ronald McDonald House Party	$ 209,037	$ 48,533	$ 8,259	$ 152,245
Walk for Kids	108,161	23,247	4,043	80,871
	$ 317,198	$ 71,780	$ 12,302	$ 233,116

Special event expenses reported above for each of the years ended December 31, 2017 and 2016 include direct donor benefit costs allocated to program activities and other indirect expenses allocated to fundraising activities as reported on the statements of functional expenses.

11. Joint cost allocations:

During the year ended December 31, 2017, the Organization incurred joint costs of $57,003 for informational materials that included fundraising appeals. The Organization allocated $14,251 to program expense and $42,752 to fund-raising expenses.

During the year ended December 31, 2016, the Organization incurred joint costs of $60,697 for informational materials that included fundraising appeals. The Organization allocated $15,175 to program expense and $45,522 to fund-raising expenses.

12. Simplified employee pension plan:

The Organization contributes to a simplified employee pension plan for its employees who are over the age of 21. The Organization provides discretionary contributions each year to all eligible employees who received at least $5,000 in compensation for the current calendar year and in a previous year. Contributions to the plan for the years ended December 31, 2017 and 2016 were $7,999 and $8,522.

13. Related party transactions:

During the years ended December 31, 2017 and 2016, the Organization paid $9,453 and $7,948 to Nextrio for IT services and equipment. Nextrio also provided in-kind computer consulting services totaling $10,891 and $12,275 for the years ended December 31, 2017 and 2016. A founder of Nextrio is a board member of the Organization.

During the years ended December 31, 2017 and 2016, the Organization received $176,976 and $152,905 in support and contributions from the McDonald's of Southern Arizona Operator's Association and from three operators of local McDonald's restaurants. The three operations are members of the Organization's Board of Directors.

14. Concentrations:

For the year ended December 31, 2016, one donor comprised 32% of total revenue and support.

15. Pending pronouncements:

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers." ASU 2014-09 applies to contracts with customers, excluding, most notably, insurance and leasing contracts. ASU 2014-09 prescribes a framework in accounting for revenues from contracts within its scope, including (a) identifying the contract, (b) identifying the performance obligations under the contract, (c) determining the transaction price, (d) allocating the transaction price to the identified performance obligations and (e) recognizing revenues as the identified performance obligations are satisfied. ASU 2014-09 also prescribes additional financial statement presentations and disclosures. ASU 2014-09 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted.

In February 2016, the FASB issued ASU 2016-02 "Leases." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2019, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-14 "Not-for-Profit Entities (Topic 9258): Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 also expands disclosures about an Organization's functional expenses, liquidity, financial performance, and cash flows. ASU 2016-14 is effective for reporting periods beginning after December 15, 2017, with early adoption permitted.

Management is currently evaluating the effect that these standards will have on the financial statements.