

Ronald McDonald House of Houston, Inc.
(Parent-Only)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2016 and 2015

Ronald McDonald House of Houston, Inc. (Parent-Only)

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Independent Auditors' Report

To the Board of Directors of
Ronald McDonald House of Houston, Inc.:

We have audited the accompanying parent-only financial statements of Ronald McDonald House of Houston, Inc. (RMH Houston), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

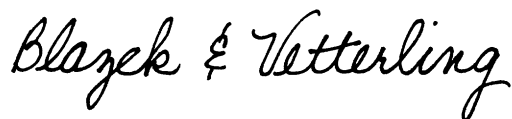
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 our 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 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.

Opinion – In our opinion, the parent-only financial statements referred to above present fairly, in all material respects, the financial position of RMH Houston as of December 31, 2016 and 2015 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.



April 10, 2017

Ronald McDonald House of Houston, Inc. (Parent-Only)

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (<i>Notes 2 and 4</i>)	\$ 639,904	\$ 972,676
Prepaid expenses and other assets	65,658	146,461
Operating pledges receivable (<i>Note 3</i>)	369,019	349,079
Investments (<i>Note 4</i>)	1,185,619	1,171,117
Cash restricted for capital campaign projects (<i>Note 2</i>)	5,272,489	2,101,132
Pledges receivable restricted for capital campaign projects, net (<i>Note 3</i>)	4,498,447	2,329,393
Property, net (<i>Note 5</i>)	<u>7,563,952</u>	<u>7,736,670</u>
TOTAL ASSETS	<u>\$ 19,595,088</u>	<u>\$ 14,806,528</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 83,551	\$ 86,672
Accrued payroll expenses	75,111	102,646
Construction payables	51,623	
Deferred special event revenue	<u>8,549</u>	<u>23,356</u>
Total liabilities	<u>218,834</u>	<u>212,674</u>
Net assets:		
Unrestricted (<i>Note 6</i>)	8,040,219	8,650,120
Temporarily restricted (<i>Note 7</i>)	<u>11,336,035</u>	<u>5,943,734</u>
Total net assets	<u>19,376,254</u>	<u>14,593,854</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,595,088</u>	<u>\$ 14,806,528</u>

See accompanying notes to financial statements.

Ronald McDonald House of Houston, Inc. (Parent-Only)

Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:			
Contributions	\$ 1,456,976	\$ 117,238	\$ 1,574,214
Special events	1,950,966		1,950,966
Direct donor benefit costs	(397,096)		(397,096)
In-kind contributions (Note 8)	80,979		80,979
House occupancy fees	514,333		514,333
Investment return (Note 4)	31,842		31,842
Other income	<u>2,878</u>		<u>2,878</u>
Total operating revenue	3,640,878	117,238	3,758,116
Net assets released from restrictions:			
Program expenditures	<u>101,870</u>	<u>(101,870)</u>	
Total	<u>3,742,748</u>	<u>15,368</u>	<u>3,758,116</u>
OPERATING EXPENSES:			
Program	3,338,070		3,338,070
Management and general	410,344		410,344
Fundraising	<u>803,815</u>		<u>803,815</u>
Total operating expenses	<u>4,552,229</u>		<u>4,552,229</u>
OPERATING CHANGES IN NET ASSETS	(809,481)	15,368	(794,113)
OTHER CHANGES IN NET ASSETS:			
Capital campaign project contributions		5,576,513	5,576,513
Net assets released from restrictions:			
Capital campaign project expenses	<u>199,580</u>	<u>(199,580)</u>	
CHANGES IN NET ASSETS	(609,901)	5,392,301	4,782,400
Net assets, beginning of year	<u>8,650,120</u>	<u>5,943,734</u>	<u>14,593,854</u>
Net assets, end of year	<u>\$ 8,040,219</u>	<u>\$ 11,336,035</u>	<u>\$ 19,376,254</u>

See accompanying notes to financial statements.

Ronald McDonald House of Houston, Inc. (Parent-Only)

Statement of Activities for the year ended December 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:			
Contributions	\$ 1,447,221	\$ 117,657	\$ 1,564,878
Special events	1,015,837		1,015,837
Direct donor benefit costs	(203,111)		(203,111)
In-kind contributions (Note 8)	149,625		149,625
House occupancy fees	533,282		533,282
Investment return (Note 4)	24,416		24,416
Other income	<u>10,415</u>		<u>10,415</u>
Total operating revenue	2,977,685	117,657	3,095,342
Net assets released from restrictions:			
Program expenditures	<u>184,419</u>	<u>(184,419)</u>	
Total	<u>3,162,104</u>	<u>(66,762)</u>	<u>3,095,342</u>
OPERATING EXPENSES:			
Program	3,319,501		3,319,501
Management and general	457,675		457,675
Fundraising	<u>834,201</u>		<u>834,201</u>
Total operating expenses	<u>4,611,377</u>		<u>4,611,377</u>
OPERATING CHANGES IN NET ASSETS	(1,449,273)	(66,762)	(1,516,035)
OTHER CHANGES IN NET ASSETS:			
Capital campaign project contributions		4,957,513	4,957,513
Net assets released from restrictions:			
Capital campaign project expenses	244,298	(244,298)	
Return of support from Houston House Foundation (Note 9)	<u>(550,000)</u>		<u>(550,000)</u>
CHANGES IN NET ASSETS	(1,754,975)	4,646,453	2,891,478
Net assets, beginning of year	<u>10,405,095</u>	<u>1,297,281</u>	<u>11,702,376</u>
Net assets, end of year	<u>\$ 8,650,120</u>	<u>\$ 5,943,734</u>	<u>\$ 14,593,854</u>

See accompanying notes to financial statements.

Ronald McDonald House of Houston, Inc. (Parent-Only)

Statements of Functional Expenses for the years ended December 31, 2016 and 2015

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2016 TOTAL</u>
Salaries	\$ 1,472,022	\$ 206,831	\$ 416,526	\$ 2,095,379
Employee benefits and payroll taxes	423,398	59,491	119,805	602,694
Supplies and equipment	458,202	2,029	58,538	518,769
Depreciation and amortization	370,506	9,750	9,750	390,006
Professional fees	36,898	84,063	104,819	225,780
Building and equipment maintenance	200,501	8,939	13,855	223,295
Utilities	198,003	5,211	5,211	208,425
Insurance	86,445	6,865		93,310
Printing and postage	17,213	2,113	48,768	68,094
Communications	55,653	1,465	10,770	67,888
Other	<u>19,229</u>	<u>23,587</u>	<u>15,773</u>	<u>58,589</u>
Total expenses	<u>\$ 3,338,070</u>	<u>\$ 410,344</u>	<u>\$ 803,815</u>	4,552,229
Direct donor benefit costs				<u>397,096</u>
Total				<u>\$ 4,949,325</u>

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2015 TOTAL</u>
Salaries	\$ 1,429,467	\$ 173,928	\$ 414,096	\$ 2,017,491
Employee benefits and payroll taxes	407,436	49,574	118,029	575,039
Supplies and equipment	493,091	1,900	58,095	553,086
Depreciation and amortization	370,873	9,760	9,760	390,393
Professional fees	41,395	159,778	108,174	309,347
Building and equipment maintenance	177,492	8,332	11,427	197,251
Utilities	206,279	5,428	5,428	217,135
Insurance	90,638	5,827		96,465
Printing and postage	22,097	2,459	54,240	78,796
Communications	54,558	1,436	41,441	97,435
Other	<u>26,175</u>	<u>39,253</u>	<u>13,511</u>	<u>78,939</u>
Total expenses	<u>\$ 3,319,501</u>	<u>\$ 457,675</u>	<u>\$ 834,201</u>	4,611,377
Direct donor benefit costs				<u>203,111</u>
Total				<u>\$ 4,814,488</u>

See accompanying notes to financial statements.

Ronald McDonald House of Houston, Inc. (Parent-Only)

Statements of Cash Flows for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 4,782,400	\$ 2,891,478
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted for capital campaign projects	(5,576,513)	(4,957,513)
Net realized and unrealized loss on investments	166	2,033
Depreciation and amortization	390,006	390,393
Loss on disposal of property		22,200
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	80,803	(8,530)
Operating pledges receivable	(19,940)	27,155
Accounts payable and accrued payroll expenses	(30,656)	(124,322)
Deferred special event revenue	(14,807)	(22,864)
Net cash used by operating activities	<u>(388,541)</u>	<u>(1,779,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital campaign construction costs	(101,660)	(1,071,975)
Purchases of property	(64,005)	(83,013)
Change in cash restricted for capital campaign projects	(3,171,357)	(1,800,928)
Purchases of investments	(14,668)	(21,384)
Proceeds from sales and maturities of investments	<u>950,000</u>	<u>950,000</u>
Net cash used by investing activities	<u>(3,351,690)</u>	<u>(2,027,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital campaign projects	<u>3,407,459</u>	<u>3,224,079</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(332,772)	(583,191)
Cash and cash equivalents, beginning of year	<u>972,676</u>	<u>1,555,867</u>
Cash and cash equivalents, end of year	<u>\$ 639,904</u>	<u>\$ 972,676</u>

See accompanying notes to financial statements.

Ronald McDonald House of Houston, Inc. (Parent-Only)

Notes to Financial Statements for the years ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Ronald McDonald House of Houston, Inc. (RMH Houston) is a Texas nonprofit corporation. The mission of RMH Houston is to offer a comfortable, safe, and reliable *home away from home* providing care, compassion and hope to families with seriously ill children being treated in Texas Medical Center member institutions. RMH Houston owns and operates a 50-bedroom house (Holcombe House) on Holcombe Boulevard in the Texas Medical Center in Houston, Texas. Holcombe House provided approximately 17,170 nights of lodging in 2016 and approximately 16,750 nights of lodging in 2015. In 2001, RMH Houston opened three Family Rooms at Texas Children’s Hospital (TCH), followed by a 20-bedroom House inside TCH in 2002 and in 2007 a 14-bedroom House inside Children’s Memorial Hermann Hospital. In 2012, RMH Houston opened its fourth Family Room at the Texas Children’s Maternity Center in the Pavilion for Women and in 2013 opened the M.D. Anderson Children’s Cancer Hospital Ronald McDonald Family Room. In the Spring of 2015, a “Cookie Corner” opened at TCH West Campus in West Houston.

Affiliated organization – Houston House Foundation (the Foundation) was created in November 1989 with a transfer of \$3.2 million from RMH Houston. The Foundation was established as a supporting organization and is maintained for the purpose of providing financial assistance and benefit to RMH Houston.

Basis of presentation – The consolidated financial statements of RMH Houston and its affiliate, the Foundation, which are not presented here, are the general-purpose financial statements of RMH Houston. These parent-only financial statements include only the assets, liabilities, net assets, and activities of RMH Houston and are not a substitute for the consolidated financial statements.

Federal income tax status – RMH Houston is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Cash and cash equivalents include bank deposits and highly liquid financial instruments with original maturities of three months or less that are maintained for use in operations.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible pledges receivable is provided when it is believed balances may not be collected in full. RMH Houston’s policy is to write off receivables against the allowance when management determines the receivable will not be collected. The loss on pledges recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and analysis of individual pledge balances. It is possible that management’s estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase or decrease in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase or decrease in temporarily restricted net assets.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is computed on a straight-line basis over estimated useful lives of 3 to 35 years. RMH Houston capitalizes additions and improvements that have a tangible future economic life and a cost of more than \$1,000.

Net asset classification – Revenue and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

- *Temporarily restricted net assets* include revenue restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. RMH Houston recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, RMH Houston reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Special events revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

In-kind contributions – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

House occupancy fees are recognized at the time services are provided, net of estimated uncollectible amounts and discounts based on a family's ability to pay.

Functional allocation of expenses – The costs of providing the program and support services are reported on a functional basis in the statements of activities. Indirect costs have been allocated between program, management and general, and fundraising based on estimates determined by management. While RMH Houston believes its allocation methods are appropriate, the use of different methods or assumptions could result in different allocated amounts.

Operating changes in net assets exclude capital campaign activity.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions and underwater endowments will be grouped with net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will significantly impact the presentation and disclosures of the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Bank deposits	\$ 5,912,393	\$ 2,998,643
Money market mutual funds		<u>75,165</u>
Total	5,912,393	3,073,808
Less: Cash restricted for capital campaign projects	<u>(5,272,489)</u>	<u>(2,101,132)</u>
Total cash and cash equivalents	<u>\$ 639,904</u>	<u>\$ 972,676</u>

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2016</u>	<u>2015</u>
Total pledges receivable	\$ 4,900,779	\$ 2,695,586
Discount to net present value at 0.89% to 1.47%	<u>(33,313)</u>	<u>(17,114)</u>
Pledges receivable, net	4,867,466	2,678,472
Pledges receivable restricted for capital campaign projects, net	<u>(4,498,447)</u>	<u>(2,329,393)</u>
Operating pledges receivable	<u>\$ 369,019</u>	<u>\$ 349,079</u>

Pledges receivable at December 31, 2016 are expected to be collected as follows:

Within one year	\$ 2,529,744
2018-2020	<u>2,371,035</u>
Total pledges receivable	<u>\$ 4,900,779</u>

In 2014, RMH Houston launched a three-year \$20 million capital campaign, *Behind Every Door*. The goal of the campaign is to provide a complete renovation of the Holcombe House, including a 20-bedroom addition. Through December 31, 2016, contributions of approximately \$11,500,000 have been recognized.

Concentration – At December 31, 2016, approximately 44% of pledges are due from three donors. At December 31, 2015, approximately 41% of pledges are due from three donors. For the year ended December 31, 2016, approximately \$2,000,000 or 28% of contributions were recognized from two donors.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Federal short-term bond mutual fund	\$ 1,185,619	_____	_____	\$ 1,185,619
Total assets measured at fair value	<u>\$ 1,185,619</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,185,619</u>

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Federal short-term bond mutual fund	\$ 1,171,117	_____	_____	\$ 1,171,117
Cash equivalents:				
Money market mutual funds	75,165	_____	_____	75,165
Total assets measured at fair value	<u>\$ 1,246,282</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,246,282</u>

Mutual funds are valued at the reported net asset value. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while RMH Houston believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 29,024	\$ 22,037
Capital gain distributions	2,984	4,412
Net realized and unrealized loss	<u>(166)</u>	<u>(2,033)</u>
Total investment return	<u>\$ 31,842</u>	<u>\$ 24,416</u>

NOTE 5 – PROPERTY

Property is comprised of the following:

	<u>2016</u>	<u>2015</u>
Use of Texas Medical Center land	\$ 1,100,000	\$ 1,100,000
Building	9,420,388	9,420,388
Building improvements	1,746,285	1,701,481
Furniture and equipment	1,218,611	1,259,126
Capital campaign construction in progress	<u>1,342,183</u>	<u>1,188,900</u>
Total property, at cost	14,827,467	14,669,895
Accumulated depreciation and amortization	<u>(7,263,515)</u>	<u>(6,933,225)</u>
Property, net	<u>\$ 7,563,952</u>	<u>\$ 7,736,670</u>

RMH Houston entered into a 99-year lease agreement for \$1 per year with the Texas Medical Center on September 1, 1995 for the use of the land on which the Holcombe House is located. The estimated fair value of this agreement of approximately \$1.1 million is reported as property and is being amortized over the life of the lease.

The Board of Directors of RMH Houston (the Board) approved construction of a new tower at the RMH Houston Holcombe House location (to be known as Phase 1) and rebuild of the ground floor of the existing Holcombe House building (to be known as Phase 2) for a total project budget not to exceed \$19.2 million. Phase 1 and Phase 2 are currently estimated at \$15.3 million and \$3.9 million, respectively.

NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 1,491,160	\$ 1,779,063
Invested in property, net	6,221,769	6,547,770
Board-designated for future projects	<u>327,290</u>	<u>323,287</u>
Total unrestricted net assets	<u>\$ 8,040,219</u>	<u>\$ 8,650,120</u>

In 2010, the Board of Directors of RMH Houston designated a fund for future projects to ensure the stability of the mission, programs, staffing and on-going operations of the organization. The fund is intended to provide an internal source of funds for such matters as major capital expenditures, investment in new facilities, unanticipated losses in funding, uninsured losses, non-recurring unbudgeted expenses, and start-up costs for new program opportunities. The assets of this fund are included in investments.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Capital campaign projects	\$ 11,102,359	\$ 5,725,426
Family activities and services	93,398	77,959
Other RMH Houston operations and supplies	<u>140,278</u>	<u>140,349</u>
Total temporarily restricted net assets	<u>\$ 11,336,035</u>	<u>\$ 5,943,734</u>

NOTE 8 – IN-KIND CONTRIBUTIONS

RMH Houston recognized in-kind contributions as follows:

	<u>2016</u>	<u>2015</u>
Legal and accounting services	\$ 26,795	\$ 60,950
Food and paper goods	18,225	22,429
Repair and maintenance services	15,589	16,016
Salary study		25,000
Other professional services	<u>20,370</u>	<u>25,230</u>
Total in-kind contributions	<u>\$ 80,979</u>	<u>\$ 149,625</u>

Volunteers provide guest, maintenance, and administrative services that are integral to the operation of the Holcombe House and in-hospital programs. During 2016, approximately 660 volunteers donated 15,600 hours for such services to in-hospital programs and 11,000 hours to the Holcombe House. During 2015, approximately 640 volunteers donated 14,000 hours for such services to in-hospital programs and 10,700 hours to the Holcombe House. During 2016, over 1,500 volunteers served meals and conducted activities and fieldtrips for families staying at the Holcombe House. During 2015, over 1,400 volunteers served meals and conducted activities and fieldtrips for families staying at the Holcombe House. No amount has been recognized in the financial statements for these volunteer services because they do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 9 – RETURN OF SUPPORT FROM HOUSTON HOUSE FOUNDATION

The Board of Trustees of the Foundation periodically approve distributions to RMH Houston. RMH Houston received operating support of \$550,000 from the Foundation in 2014. RMH Houston evaluated its operating needs and determined that it had sufficient resources to support immediate operating needs. In keeping with the objectives of RMH Houston and the Foundation to maintain the Foundation’s investments for the long-term support of RMH Houston, those funds were returned to the Foundation in 2015.

NOTE 10 – RELATED PARTY TRANSACTIONS

During 2015, RMH Houston paid approximately \$1,068,000 to an architectural design firm owned by a member of its Board of Directors.

NOTE 11 – RETIREMENT PLAN

RMH Houston has a §401(k) retirement plan which covers all employees. RMH Houston contributes an amount equal to 3% of each employee’s salary. In addition, RMH Houston will match 100% for each percent the employee contributes up to 3%. RMH Houston contributed \$111,840 to the plan in 2016 and \$103,741 to the plan in 2015.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 10, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
