

RONALD McDONALD HOUSE CHARITIES OF
CENTRAL TEXAS, INC.
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

RONALD McDONALD HOUSE CHARITIES OF
CENTRAL TEXAS, INC.
(Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
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Allman & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

9600 GREAT HILLS TRAIL
SUITE 150W
AUSTIN, TX 78759
(512) 502-3077
FAX: 888-512-7990
WWW.ALLMANCPAS.COM

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Ronald McDonald House Charities of Central Texas, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Central Texas, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Allman & Associates, Inc.

Austin, Texas
July 17, 2017

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 807,763	\$ 826,002
Pledges receivable, net - current portion	139,446	101,133
Other receivables, net - current portion	2,120	1,200
Prepaid expenses	71,620	47,484
Total Current Assets	1,020,949	975,819
Pledges receivable, net of discount and current portion	32,835	19,570
Other receivables, net of current portion	28,300	29,300
Beneficial interest in ACF Endowments	136,254	126,995
Land lease, net	365,916	375,299
Investments, at fair value	3,140,453	2,787,425
Property and equipment, net	9,173,784	9,124,413
Total Assets	\$ 13,898,491	\$ 13,438,821
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 54,911	\$ 96,014
Other liabilities	95,174	51,925
Total Current Liabilities	150,085	147,939
Total Liabilities	150,085	147,939
Net Assets		
Unrestricted	10,849,921	10,665,799
Temporarily restricted	2,243,291	1,969,889
Permanently restricted	655,194	655,194
Total Net Assets	13,748,406	13,290,882
Total Liabilities and Net Assets	\$ 13,898,491	\$ 13,438,821

See accompanying notes and independent auditors' report.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Fundraising events	\$ 1,079,098	\$ 39,480	\$ -	\$ 1,118,578
Contributions - General	392,490	418,893	-	811,383
Grant income	73,912	14,673	-	88,585
Contributions - McDonald's related fundraising	321,946	33,000	-	354,946
Contributions - Clients	113,787	-	-	113,787
Investment income	8,217	259,447	-	267,664
Contributions - Construction	255,133	-	-	255,133
Other income	280,733	800	-	281,533
	2,525,316	766,293	-	3,291,609
Total Revenue				
Net assets released from restrictions	492,891	(492,891)	-	-
	3,018,207	273,402	-	3,291,609
Total revenue and other support				
Expenses				
Program services:				
Home operations	1,594,827	-	-	1,594,827
Bereavement and family assistance	459,704	-	-	459,704
Other programs	42,130	-	-	42,130
Total program services	2,096,661	-	-	2,096,661
Supporting services:				
Management and general	225,379	-	-	225,379
Fundraising and special events	480,406	-	-	480,406
Total supporting services	705,785	-	-	705,785
Remittance to RMHC Global (US only)	31,638	-	-	31,638
Total Expenses	2,834,085	-	-	2,834,085
Change in net assets	184,122	273,402	-	457,524
Net assets, beginning of year	10,665,799	1,969,889	655,194	13,290,882
Net assets, end of year	\$ 10,849,921	\$ 2,243,291	\$ 655,194	\$ 13,748,406

See accompanying notes and independent auditors' report.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Fundraising events	\$ 821,845	\$ 6,741	\$ -	\$ 828,586
Contributions - General	325,308	451,355	-	776,663
Grant income	84,249	17,000	-	101,249
Contributions - McDonald's related fundraising	312,967	30,000	-	342,967
Contributions - Clients	154,122	7,125	-	161,247
Investment income	1,930	(2,049)	-	(119)
Other income	193,817	-	-	193,817
	1,894,238	510,172	-	2,404,410
Total Revenue				
Net assets released from restrictions	387,316	(387,316)	-	-
	2,281,554	122,856	-	2,404,410
Total revenue and other support				
Expenses				
Program services:				
Home operations	1,504,711	-	-	1,504,711
Bereavement and family assistance	300,496	-	-	300,496
Other programs	30,540	-	-	30,540
Total program services	1,835,747	-	-	1,835,747
Supporting services:				
Management and general	230,818	-	-	230,818
Fundraising and special events	413,682	-	-	413,682
Total supporting services	644,500	-	-	644,500
Remittance to RMHC Global (US only)	29,908	-	-	29,908
	2,510,154	-	-	2,510,154
Total Expenses				
Change in net assets	(228,600)	122,856	-	(105,744)
Net assets, beginning of year	10,894,399	1,847,033	655,194	13,396,626
Net assets, end of year	\$ 10,665,799	\$ 1,969,889	\$ 655,194	\$ 13,290,882

See accompanying notes and independent auditors' report.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

Expenses	House Operations	Bereavement and Family Assistance	Other	Total Program Services	Management and General	Fundraising and Special Events	Total Supporting Services	Totals
Salaries	\$ 446,020	\$ 249,422	\$ 6,658	\$ 702,100	\$ 95,600	\$ 239,966	\$ 335,566	\$ 1,037,666
Employee benefits	60,986	44,778	403	106,167	19,281	35,847	55,128	161,295
Payroll taxes	33,611	18,905	509	53,025	7,226	18,125	25,352	78,377
Total salaries and benefits	<u>540,617</u>	<u>313,105</u>	<u>7,570</u>	<u>861,292</u>	<u>122,107</u>	<u>293,939</u>	<u>416,046</u>	<u>1,277,338</u>
Conferences/Training	3,290	4,999	-	8,288	3,055	3,555	6,610	14,899
Contract Labor	3,150	6,730	-	9,880	-	20,190	20,190	30,070
Bereavement/Burial	-	64,784	-	64,784	-	-	-	64,784
Family assistance	10,191	7,017	-	17,208	-	-	-	17,208
Volunteers	-	3,598	-	3,598	3,943	-	3,943	7,540
Program support	-	8,308	-	8,308	-	21,164	21,164	29,473
Maintenance/Repairs	135,562	-	-	135,562	-	-	-	135,562
Communication services	5,127	3,150	-	8,277	989	2,697	3,687	11,964
Computer services	26,833	20,689	-	47,522	9,512	21,058	30,570	78,091
Depreciation	468,376	-	-	468,376	-	9,652	9,652	478,028
Development	386	-	-	386	72	8,520	8,592	8,978
House supplies	34,430	37	-	34,467	535	333	868	35,335
Grants/Scholarships	-	-	34,560	34,560	-	-	-	34,560
Insurance	9,543	6,238	-	15,781	4,288	5,779	10,067	25,849
Bank/Investment service fees	-	-	-	-	58,556	-	58,556	58,556
Special event costs	9,029	12,929	-	21,957	-	69,825	69,825	91,783
Postage	2,337	1,784	-	4,121	657	1,661	2,318	6,439
In-kind expense	246,761	-	-	246,761	-	-	-	246,761
Copier	3,911	1,781	-	5,692	429	1,603	2,032	7,724
Printing	15,368	2,751	-	18,119	-	17,819	17,819	35,938
Licenses & Permits	90	-	-	90	-	-	-	90
Office supplies	-	-	-	-	4,579	67	4,647	4,647
Utilities	75,760	-	-	75,760	-	-	-	75,760
Other	3,954	314	-	4,268	10,431	1,748	12,179	16,447
Expansion expense	113	1,491	-	1,605	6,226	795	7,020	8,625
Total other expenses	<u>1,054,210</u>	<u>146,599</u>	<u>34,560</u>	<u>1,235,369</u>	<u>103,272</u>	<u>186,468</u>	<u>289,740</u>	<u>1,525,109</u>
Sub-totals	<u>\$ 1,594,827</u>	<u>\$ 459,704</u>	<u>\$ 42,130</u>	<u>\$ 2,096,661</u>	<u>\$ 225,379</u>	<u>\$ 480,406</u>	<u>\$ 705,785</u>	<u>2,802,447</u>
Remittances to RMHC Global (US only)								31,638
Total expenses								<u>\$2,834,085</u>

See accompanying notes and independent auditors' report.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

Expenses	House Operations	Bereavement and Family Assistance	Other	Total Program Services	Management and General	Fundraising and Special Events	Total Supporting Services	Totals
Salaries	\$ 405,457	\$ 164,965	\$ -	\$ 570,422	\$ 95,332	\$ 194,077	\$ 289,409	\$ 859,830
Employee benefits	59,587	25,159	-	84,746	23,496	29,026	52,522	137,268
Payroll taxes	30,813	12,514	-	43,327	7,077	14,610	21,687	65,014
Total salaries and benefits	<u>495,857</u>	<u>202,638</u>	<u>-</u>	<u>698,495</u>	<u>125,905</u>	<u>237,713</u>	<u>363,618</u>	<u>1,062,113</u>
Conferences/Training	1,915	2,122	-	4,037	2,844	1,909	4,753	8,790
Contract Labor	21,094	-	-	21,094	20,473	20,473	40,946	62,040
Bereavement/Burial	-	61,091	-	61,091	-	-	-	61,091
Family assistance	13,339	12,668	-	26,007	-	-	-	26,007
Volunteers	218	-	-	218	4,332	3,738	8,070	8,288
Program support	7,523	-	-	7,523	-	22,570	22,570	30,094
Maintenance/Repairs	150,079	-	-	150,079	-	-	-	150,079
Communication services	8,465	2,863	-	11,327	606	1,268	1,873	13,201
Computer services	26,626	11,632	-	38,259	2,279	22,540	24,819	63,078
Depreciation	414,594	-	-	414,594	-	1,368	1,368	415,962
Development	923	-	-	923	118	4,515	4,633	5,556
House supplies	31,673	-	-	31,673	775	124	899	32,572
Grants/Scholarships	-	-	30,540	30,540	-	-	-	30,540
Insurance	7,043	3,121	-	10,164	6,240	4,798	11,038	21,202
Bank/Investment service fees	1,327	-	-	1,327	56,501	-	56,501	57,828
Special event costs	41,368	220	-	41,588	-	66,194	66,194	107,782
Postage	2,200	1,621	-	3,821	1,383	768	2,151	5,972
In-kind expense	186,396	-	-	186,396	-	-	-	186,396
Copier	4,185	1,649	-	5,835	500	1,078	1,577	7,412
Printing	11,922	516	-	12,437	-	22,888	22,888	35,325
Licenses & Permits	70	-	-	70	-	-	-	70
Office supplies	54	-	-	54	2,638	201	2,839	2,893
Utilities	76,176	-	-	76,176	-	-	-	76,176
Other	1,662	202	-	1,864	830	767	1,596	3,460
Expansion expense	-	154	-	154	5,395	771	6,166	6,320
Total other expenses	<u>1,008,854</u>	<u>97,858</u>	<u>30,540</u>	<u>1,137,252</u>	<u>104,913</u>	<u>175,969</u>	<u>280,882</u>	<u>1,418,134</u>
Sub-totals	<u>\$ 1,504,711</u>	<u>\$ 300,496</u>	<u>\$ 30,540</u>	<u>\$ 1,835,747</u>	<u>\$ 230,818</u>	<u>\$ 413,682</u>	<u>\$ 644,500</u>	<u>2,480,246</u>
Remittances to RMHC Global (US only)								29,908
Total expenses								<u>\$2,510,154</u>

See accompanying notes and independent auditors' report.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 457,524	\$ (105,744)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	478,028	415,962
Donated fixed assets	(260,321)	-
Change in investments	(165,504)	119
Change in assets and liabilities:		
Pledges receivable	(60,757)	(15,982)
Prepaid expenses	(24,136)	(8,466)
Land lease, net	9,383	9,383
Accounts payable and other liabilities	2,146	43,294
Net Cash Flows From Operating Activities	436,363	338,566
Cash Flows From Investing Activities:		
Proceeds from sales of investments	763,876	214,544
Purchases of investments	(951,400)	-
Purchases of property and equipment	(267,078)	(358,560)
Net Cash Flows From Investing Activities	(454,602)	(144,016)
Net Change in Cash and Cash Equivalents	(18,239)	194,550
Cash and Cash Equivalents, beginning of year	826,002	631,452
Cash and Cash Equivalents, end of year	\$ 807,763	\$ 826,002
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See accompanying notes and independent auditors' report.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

1. Organization

Ronald McDonald House Charities® of Central Texas, Inc. (RMHC CTX) creates, finds and supports programs that directly improve the health and well-being of children and their families. This is accomplished through four programs: the Ronald McDonald House®, five Ronald McDonald Family Rooms®, the Healing Hearts burial assistance and bereavement program, and the Happy Wheels program. RMHC CTX's primary goal is to provide temporary, emergency lodging and support services to critically ill or injured children and their families.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets:

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted dividend and interest income, less expenses incurred in operations and for administrative functions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that are maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Basis of Accounting

The financial statements of RMHC CTX have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Estimates

The preparation of financial statements in conformity with 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.

RONALD McDONALD HOUSE CHARITIES
OF CENTRAL TEXAS, INC.
(Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

2. Summary of Significant Accounting Policies (Continued)

Contributions

RMHC CTX reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donated assets are recorded at their estimated fair values at the date of receipt. During the years ended December 31, 2016 and 2015, RMHC CTX received donated assets in the amounts of \$260,321 and \$59,702, respectively.

Contributed Services

RMHC CTX recognizes contributed use of facilities and services if the services create or enhance nonfinancial assets, or require skills that would need to be purchased if not donated. During the years ended December 31, 2016 and 2015, RMHC CTX received contributed use of facilities and services in the amounts of \$237,483 and \$124,057, respectively.

Cash and Cash Equivalents

RMHC CTX considers all highly liquid investments with a purchased maturity of three months or less and purchased for use primarily in operations to be cash and cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position, and gains and losses on investments are reported in the statements of activities as increases or decreases in the unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Allowance for Doubtful Pledges

The allowance for doubtful pledges reflects RMHC CTX's best estimate of probable losses inherent in RMHC CTX's pledge receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts, and other data. RMHC CTX did not have an allowance for doubtful pledges as of December 31, 2016 and 2015.

RONALD McDONALD HOUSE CHARITIES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment in excess of \$7,500 is capitalized and recorded at cost. Repairs and maintenance are charged to expense. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. Gains and losses from normal retirements or dispositions are credited or charged to revenue. Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over their estimated useful lives using the straight-line method. Major categories of depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building and improvements	37 years
Furniture and fixtures	3 - 7 years

Federal Income Taxes

RMHC CTX is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

RMHC CTX regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is “more-likely-than-not” to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely to be realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires RMHC CTX to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations.

RMHC CTX is generally no longer subject to tax examinations relating to US federal tax returns except for the past three years.

RONALD McDONALD HOUSE CHARITIES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

As of December 31, 2016 and 2015, RMHC CTX evaluated the fair value of its investments on a recurring basis. RMHC CTX's investments are recorded at fair value at December 31, 2016 and 2015 (see note 12).

The carrying value of the financial instruments classified as current assets or current liabilities, including cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable and accrued expenses, approximate their fair values due to their short maturities.

Functional Allocation of Expenses

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

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

3. Pledges Receivable

Pledges to be paid off in two to five years have been recorded at estimated present value. In calculating the present value of long-term pledges, RMHC CTX used the applicable federal rate of inflation of 1.62%. The unamortized discount at December 31, 2016 and 2015 was \$540 and \$805, respectively. At December 31, 2016, the gross amounts expected to be received within one year were \$139,446; and over one year were \$32,835. At December 31, 2015, the gross amounts expected to be received within one year were \$101,133; and over one year were \$19,570.

4. Property and Equipment

Balances of major categories of property and equipment are as follows:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 11,161,713	\$ 11,073,601
Family rooms	1,129,474	690,187
Furniture and fixtures	112,360	112,360
Less: Accumulated depreciation	<u>(3,229,763)</u>	<u>(2,751,735)</u>
Net property and equipment	<u>\$ 9,173,784</u>	<u>\$ 9,124,413</u>

Depreciation expense was \$478,028 and \$415,962 for the years ended December 31, 2016 and 2015, respectively.

5. Retirement Plan

RMHC CTX has a 403(b) Plan (the "Plan") for employees. The Plan allows all eligible employees to defer a portion of their income on a pretax basis through contributions to the Plan. During the years ended December 31, 2016 and 2015, RMHC CTX contributed \$41,086 and \$38,016, respectively, to the Plan.

6. Concentrations of Credit Risks

Certain financial instruments potentially subject RMHC CTX to concentrations of credit risk. These financial instruments consist primarily of cash deposits and investments. The cash policy of RMHC CTX limits the amount of credit exposure, and requires that cash be placed with high credit quality financial institutions. Credit risk on investments is limited due to wide diversification of the investment portfolio. The Finance Committee of the Board of Directors conducts regular reviews of the cash and investments portfolios to assure adherence to policy, and makes periodic reports to the Board of Directors. At December 31, 2016 and 2015, RMHC CTX's deposits exceeded the federal depository insurance limits by \$0 and \$215,456, respectively.

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7. Investments

Investments are stated at fair value and consist of the following as of December 31, 2016 and 2015:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 74,937	\$ -
DFA U.S. Large Company Portfolio	585,936	467,160
DFA U.S. Large Cap Value	292,279	195,136
DFA U.S. Micro Cap Portfolio	215,346	108,401
DFA U.S. Small Cap Value	191,424	103,029
DFA International Value Portfolio	168,185	89,464
DFA Real Estate	94,152	107,400
DFA International Small Cap Value	172,392	120,409
DFA Five Year Government Portfolio	-	340,886
DFA Five Year Gbl Fixed Income	511,904	-
DFA Short Term Government Portfolio	833,898	1,255,540
	<u>\$ 3,140,453</u>	<u>\$ 2,787,425</u>

The following schedule summarizes the investment return and its classification in the statements of Activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest, dividends, and other income	\$ 54,093	\$ 48,065
Appreciation(depreciation) on investments	<u>213,571</u>	<u>(48,184)</u>
Investment (loss) income	<u>\$ 267,664</u>	<u>\$ (119)</u>

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8. Temporarily Restricted Net Assets

The part of the net assets of a not-for-profit organization resulting from contributions whose use is limited by donor-imposed restrictions that either expire by passage of time, or the purpose of which is fulfilled, are considered temporarily restricted net assets.

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

Type of Restriction	2016	2015
RMHC Endowment Fund Trust accumulated earnings	\$ 1,853,708	\$ 1,594,261
Healing Hearts Program	5,700	-
RMH Co-op income	3,000	4,000
Family Room Program - general	2,413	-
House Program	4,500	-
College Station Medical Center Family Room	228,875	30,500
St Joseph Family Room	-	202,225
Miscellaneous	1,050	26,116
Pledges - Timing Restriction	144,045	112,787
Total Temporarily Restricted Net Assets	<u>\$ 2,243,291</u>	<u>\$ 1,969,889</u>

Funds released from temporarily restricted net assets by incurring expenses in accordance with the donors' stipulations or transferred to permanently restricted net assets were \$492,891 and \$387,316 for the years ended December 31, 2016 and 2015, respectively.

9. Permanently Restricted Net Assets

The part of the net assets of a not-for-profit organization resulting from contributions whose use is limited by donor-imposed restrictions that are not expected to expire are considered permanently restricted net assets.

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9. Permanently Restricted Net Assets (Continued)

Permanently restricted net asset balances as of December 31, 2016 and 2015 are as follows:

Type of Restriction	2016	2015
RMH Charities Endowment Fund Trust	\$ 527,500	\$ 527,500
RMH Charities of Austin and Central Texas Endowment Fund (ACF)	27,694	27,694
Raymond and Vivian Todd Endowment Fund (ACF)	100,000	100,000
Total Permanently Restricted Net Assets	<u>\$ 655,194</u>	<u>\$ 655,194</u>

Funds transferred from temporarily restricted net assets to permanently restricted net assets in accordance with the donors' stipulations were \$0 for the years ended December 31, 2016 and 2015.

The two funds noted as "ACF" were established with the Austin Community Foundation (ACF). Those funds are held irrevocably with ACF and are managed to accomplish the designated charitable purpose – to provide general support for RMHC CTX. The amount available to grant from the Endowment Fund is determined by the ACF Board of Governors' spending policy, which currently allows for 5% of the Fund's value at December 31st to be available to grant in the following year.

RMHC CTX has granted variance power to the Austin Community Foundation. Both endowment funds are subject to the provision of the articles of incorporation and bylaws of the Austin Community Foundation, including the power reserved by their Board of Governors to modify any condition or restriction on the distribution of funds if in its sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served the ACF.

10. Endowments

Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

RMHC CTX has interpreted the 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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC CTX 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.

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10. Endowments (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RMHC CTX in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMHC CTX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the organization
- Investment policies of the organization.

As of December 31, 2016, endowment net asset composition by type of fund was as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 655,194	\$ 655,194
Total endowment funds	\$ -	\$ 655,194	\$ 655,194

As of December 31, 2015, endowment net asset composition by type of fund was as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 655,194	\$ 655,194
Total endowment funds	\$ -	\$ 655,194	\$ 655,194

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RMHC CTX to retain as a fund of perpetual duration. RMHC CTX did not have any net deficiencies of this nature as of December 31, 2016 or 2015.

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10. Endowments (Continued)

Return Objectives and Risk Parameters

RMHC CTX 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. RMHC CTX expects its endowment funds, over time, to provide an average rate of return of approximately 4 to 5% annually based on historical performance. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC CTX relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC CTX's Investment Policy targets a diversified asset allocation that places greater emphasis on fixed-income based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The account is swept annually and any realized or unrealized gains in excess of the corpus are available to offset program costs.

The following tables represent a roll-forward of the endowment fund at December 31, 2016 and 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>December 31, 2016</u>
Endowment net assets, beginning of year	\$ 1,594,261	\$ 655,194	\$ 2,249,455
Contributions	-	-	-
Investment income (loss)	259,447	-	259,447
Appropriated for expense	-	-	-
Endowment net assets, end of year	<u>\$ 1,853,708</u>	<u>\$ 655,194</u>	<u>\$ 2,508,902</u>

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10. Endowments (Continued)

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>December 31, 2015</u>
Endowment net assets, beginning of year	\$ 1,601,310	\$ 655,194	\$ 2,256,504
Contributions	-	-	-
Investment income (loss)	(2,049)	-	(2,049)
Appropriated for expense	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Endowment net assets, end of year	<u>\$ 1,594,261</u>	<u>\$ 655,194</u>	<u>\$ 2,249,455</u>

11. Leases

RMHC CTX entered into a ground lease agreement with the Daughters of Charity Health Services of Austin to build a new house in 2004. The term of the ground lease is approximately fifty years and began on October 20, 2004. RMHC CTX intends to renegotiate the lease at the end of the term. The rent for the entire term of the ground lease is \$10, which was paid in full in 2005. RMHC CTX recognized the fair value of the lease of \$450,363. The value of the lease as of December 31, 2016 and 2015 was \$365,916 and \$375,299, respectively.

RMHC CTX also leases office equipment under operating lease agreements. Future minimum lease payments for the next five years as of December 31, 2016, are as follows:

2017	\$ 7,650
2018	7,650
2019	3,814
2020	1,074
2021	<u>1,074</u>
	<u>\$ 21,262</u>

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12. Fair Value of Financial Instruments

The following table sets forth RMHC CTX's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2016:

Description	Fair Value	Fair Value Measurements Using:		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 3,065,516	\$ 3,065,516	\$ -	\$ -
Certificates of Deposit	74,937	\$ -	74,937	\$ -
Total Investments	<u>\$ 3,140,453</u>	<u>\$ 3,065,516</u>	<u>\$ 74,937</u>	<u>\$ -</u>

The following table sets forth RMHC CTX's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2015:

Description	Fair Value	Fair Value Measurements Using:		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 2,787,425	\$ 2,787,425	\$ -	\$ -
Total Investments	<u>\$ 2,787,425</u>	<u>\$ 2,787,425</u>	<u>\$ -</u>	<u>\$ -</u>

13. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the audited financial statements were available for issuance, July 17, 2017, and there were no subsequent events to be disclosed.