

*SOUTHERN APPALACHIAN
RONALD McDONALD HOUSE CHARITIES, INC.*

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2009**

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.

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Eddy & Eddy

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southern Appalachian Ronald McDonald House Charities, Inc.

We have audited the accompanying statements of financial position of the Southern Appalachian Ronald McDonald House Charities, Inc. (a Tennessee nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Appalachian Ronald McDonald House Charities, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Eddy & Eddy, CPAs, P.C.
Johnson City, Tennessee
April 26, 2010

**SOUTHERN APPALACHIAN RONALD MCDONALD
HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009 and 2008**

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 488,259	\$ 545,468
Investments	709,097	567,703
Accounts Receivable	8,998	7,605
Accrued Interest Receivable	489	1,084
Dividends Receivable	1,965	479
	<u>\$ 1,208,808</u>	<u>\$ 1,122,339</u>
Total Current Assets		
PROPERTY AND EQUIPMENT		
Building	\$ 1,295,604	\$ 1,292,346
Furniture and Fixtures	178,161	175,339
Office Equipment	37,404	45,404
Less: Accumulated Depreciation	(582,259)	(549,265)
	<u>\$ 928,910</u>	<u>\$ 963,824</u>
Net Property and Equipment		
TOTAL ASSETS	<u>\$ 2,137,718</u>	<u>\$ 2,086,163</u>

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD
HOUSE CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009 and 2008**

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 9,310	\$ 8,850
Salaries and Benefits Payable	5,856	14,804
SS/Medicare Tax Payable	4,217	2,189
	\$ 19,383	\$ 25,843
Total Current Liabilities		
LONG-TERM LIABILITIES		
	\$ 19,383	\$ 25,843
Total Liabilities		
NET ASSETS		
UNRESTRICTED		
Board Designated - Capital Reserve	203,509	207,284
Board Designated - Endowment	555,589	436,557
Investment in Fixed Assets	928,910	963,824
Unreserved	425,327	452,655
	\$ 2,113,335	\$ 2,060,320
Total Unrestricted Net Assets		
Temporarily Restricted - Special Events and Activities	5,000	-
Total Temporarily Restricted Net Assets		
	\$ 5,000	\$ -
Total Net Assets		
	\$ 2,118,335	\$ 2,060,320
TOTAL LIABILITIES AND NET ASSETS		
	\$ 2,137,718	\$ 2,066,163

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD
HOUSE CHARITIES, INC.
STATEMENT OF ACTIVITIES
For Years Ended December 31, 2009 and December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Revenues, gains (losses) and other support					
Contributions and Donations	\$ 206,134	\$ 10,241	\$ -	\$ 216,375	\$ 270,744
Donated Goods and Services	-	55,997	-	55,997	64,786
McDonald's Donations / Events	179,431	-	-	179,431	147,478
Investment Income	27,981	-	-	27,981	45,611
Realized Gain/Loss	-	-	-	-	105
Unrealized Gain/Loss	125,960	-	-	125,960	(196,895)
Insurance Reimbursements	-	-	-	-	21,282
Miscellaneous Revenue	2	-	-	2	122
Special Events and Activities	57,196	-	-	57,196	55,186
Less Direct Expenses	(35,010)	-	-	(35,010)	(34,179)
Net Special Events and Activities	22,186	-	-	22,186	21,007
Net Assets Released From Restrictions: Programs, Equipment and Building	61,238	(61,238)	-	-	-
Total revenues, gains (losses) and other support	\$ 622,932	\$ 5,000	\$ -	\$ 627,932	\$ 374,240
Expenses					
Program Services - House	\$ 252,993	\$ -	\$ -	\$ 252,993	\$ 272,259
Total Program Services	252,993	-	-	252,993	272,259
Management and General	119,731	-	-	119,731	119,988
Fund Raising	174,500	-	-	174,500	116,680
Unallocated Payments to Affiliated Organizations	22,693	-	-	22,693	17,337
Total Expenses	569,917	-	-	569,917	526,264
Change in Net Assets	53,015	5,000	-	58,015	(152,024)
Net Assets at Beginning of Year	2,060,320	-	-	2,060,320	2,212,344
Net Assets at End of Year	\$ 2,113,335	\$ 5,000	\$ -	\$ 2,118,335	\$ 2,060,320

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD
HOUSE CHARITIES, INC.
STATEMENT OF CASH FLOWS
For Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 58,015	\$ (152,024)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	44,695	43,350
Decrease (Increase) in Accounts Receivable	(2,284)	17,613
Decrease (Increase) in Prepaid Expenses	-	3,572
Decrease (Increase) in Inventory	-	751
Decrease (Increase) in Investments	(141,394)	72,995
Increase (Decrease) in Accounts Payable	460	(2,360)
Increase (Decrease) in Accrued Liabilities	(6,920)	3,272
Donated Equipment	-	(5,800)
Total Adjustments	<u>(105,443)</u>	<u>133,393</u>
Net Cash Used By Operating Activities	<u>\$ (47,428)</u>	<u>\$ (18,631)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>\$ (9,781)</u>	<u>\$ (49,457)</u>
Net Cash Used By Investing Activities	<u>\$ (9,781)</u>	<u>\$ (49,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided By Financing Activities	<u>\$ -</u>	<u>\$ -</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ (57,209)</u>	<u>\$ (68,088)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>\$ 545,468</u>	<u>\$ 613,556</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 488,259</u>	<u>\$ 545,468</u>
SUPPLEMENTAL DATA:		
Income Taxes	\$ 0	
Interest Expense	\$ 0	
NON-CASH INVESTING ACTIVITIES:		
Donated Equipment	\$ 0	

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD
HOUSE CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Years Ended December 31, 2009 and December 31, 2008**

	2009				2008			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Management & General	Fund- raising	Management & General		Fund- raising	Management & General	Fund- raising	
Salaries	\$ 81,130	\$ 41,429	\$ 71,270	\$ 193,829	\$ 76,070	\$ 38,567	\$ 56,507	\$ 171,144
Employee Benefits	17,200	7,242	5,733	30,175	15,645	6,587	5,215	27,447
Insurance - Excess Liability	4,336	10,118	-	14,454	5,263	12,282	-	17,545
Insurance - Workers' Comp	854	1,994	-	2,848	1,722	4,017	-	5,739
Mileage/Travel	-	4,797	-	4,797	-	4,489	-	4,489
Employee Payroll Taxes	6,875	6,715	2,398	15,988	5,629	5,499	1,964	13,092
Utilities	19,587	577	-	20,144	20,450	632	-	21,082
Conference/Education	-	9,320	190	9,510	-	13,468	275	13,743
Advertising/Newsletter	-	-	20,465	20,465	-	-	12,590	12,590
Office Supplies	-	3,281	872	3,953	-	4,029	825	4,854
Telephone	1,557	5,061	1,168	7,786	1,690	5,492	1,267	8,449
Gifts/Memorials	3,949	-	-	3,949	2,226	-	-	2,226
Maintenance Supplies	14,463	-	-	14,463	21,703	-	-	21,703
Fire Security Systems	2,114	-	-	2,114	1,594	-	-	1,584
House Expenses	10,963	-	-	10,963	15,847	-	-	15,847
Volunteer Recognition	-	-	1,103	1,103	-	-	610	610
Consulting Fees	-	-	30,023	30,023	-	-	5,000	5,000
Computer Expenses	-	13,320	2,729	16,049	-	10,876	2,228	13,104
Postage/Shipping	1,370	1,370	-	2,740	1,653	1,653	-	3,306
Professional Services	-	7,753	-	7,753	-	5,951	-	5,951
Donated Goods and Service	45,048	-	-	45,048	58,986	-	-	58,986
Licenses/Taxes	-	989	-	989	-	398	-	398
Depreciation Expense	42,907	1,788	-	44,695	41,615	1,735	-	43,350
Dues and Subscriptions	-	3,613	-	3,613	-	3,915	-	3,915
Elevator Maintenance	308	-	-	308	1,973	-	-	1,973
Sprinkler System	240	-	-	240	80	-	-	80
Internet	112	364	84	560	123	398	92	613
Canisters Expenses	-	-	15,731	15,731	-	-	14,184	14,184
Miscellaneous Expenses	-	-	22,934	22,934	-	-	15,923	15,923
Total Functional Expenses	252,993	119,731	174,500	547,224	272,259	119,988	116,680	508,927
Unallocated Payments to Affiliates - RMHC Program	-	-	-	22,693	-	-	-	17,337
Total Expenses	\$ 252,993	\$ 119,731	\$ 174,500	\$ 569,917	\$ 272,259	\$ 119,988	\$ 116,680	\$ 526,264

See Accompanying Accountants' Report and Notes.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Southern Appalachian Ronald McDonald House Charities, Inc., a Tennessee not-for-profit organization, provides a supportive home-like atmosphere for the families of children who are undergoing inpatient or outpatient medical treatment in any of the area hospitals. The Organization supports other area children's programs in the Southern Appalachian region by awarding grants annually.

Basis of Accounting

The financial statements of the Southern Appalachian Ronald McDonald House Charities, Inc. are reported using the accrual basis of accounting in conformity with generally accepted accounting principles. In the accrual basis of accounting, revenues are generally recognized when earned and expenses recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-for-Profit Organizations". Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets would permit the Organization to use all or part of the income earned on the assets.

In addition, the Organization is required to present a statement of cash flows.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. However, donor-restricted contributions whose restrictions are met within the same fiscal year are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

On August 6, 2008, the Financial Standards Accounting Board (FASB) issued FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". This FASB Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds (UPMIFA) Act of 2006 and also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. FASB Staff Position No. FAS 117-1 was adopted retroactive to January 1, 2007.

Contributions

The Organization records contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until they become unconditional – when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers the following as cash and cash equivalents:

Balances at December 31:	<u>2009</u>	<u>2008</u>
Petty Cash	\$ 270	\$ 270
Cash - Checking	12,244	9,445
Cash - Savings	193,695	157,868
Certificates of Deposit	<u>282,050</u>	<u>377,885</u>
Cash and Cash Equivalents	<u>\$ 488,259</u>	<u>\$ 545,468</u>

Certificates of deposit at five local financial institutions have maturities of six or twelve months and interest rates from 2.25% to 4.10%.

Functional Allocation of Expenses

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

Estimates

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

Advertising

The Organization expenses advertising costs as incurred. Total expense for the years ended December 31, 2009 and 2008 was \$12,545 and \$5,923 respectively.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 2. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

	<u>December 31, 2009</u>		<u>December 31, 2008</u>
Donated Goods & Services	\$ 55,997	\$	64,786
Room Contributions	5,241		3,390
Equip. / Other Programs	-		-
	\$ 61,238	\$	68,176

Temporarily restricted net assets at December 31, 2009 were as follows:

St. Patrick's Day Sponsorship \$ 5,000

NOTE 3. DONATED GOODS AND SERVICES

Donated materials, equipment and certain services are reflected as contributions in the accompanying financial statements in the amounts of \$55,997 for the year ended December 31, 2009 and \$64,786 for the year ended December 31, 2008. These amounts reflect the estimated fair value of the contributions at their date of receipt. A substantial number of volunteers donated significant amounts of time to assist in the Organization's operations. Only amounts having an available objective valuation basis are reflected in the financial statements. One donor provided approximately 31% of the Organization's 2009 donations.

NOTE 4. ACCOUNTS RECEIVABLE

The Organization's accounts receivable is comprised of:

	<u>December 31, 2009</u>		<u>December 31, 2008</u>
Contributions	\$ 6,300	\$	3,475
Radiothon	2,303		130
Canisters	-		-
Golf Tournament	-		4,000
Other	395		-
	\$ 8,998	\$	7,605

The Organization believes all accounts receivable are collectible and no allowance account has been considered necessary.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, or in the case of contributed assets, at their fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Buildings are depreciated over forty years and improvements over fifteen years; equipment and furniture and fixtures are depreciated over five to ten years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The Organization's current policy is to capitalize assets costing more than \$1,000 with a life greater than one year. Depreciation expense for the years ended December 31, 2009 and 2008 amounted to \$44,695 and \$43,350, respectively.

Property and Equipment are comprised of the following:

	December 31, 2009			December 31, 2008		
	Cost	Accum. Depr.	Net	Cost	Accum. Depr.	Net
Office Equipment	\$ 37,404	\$ (29,607)	\$ 7,797	\$ 45,404	\$ (35,376)	\$ 10,028
Furniture & Fixtures	178,161	(121,255)	56,906	175,339	(117,936)	57,403
Building	<u>1,295,604</u>	<u>(431,397)</u>	<u>864,207</u>	<u>1,292,346</u>	<u>(395,953)</u>	<u>896,393</u>
Total	<u>\$ 1,511,169</u>	<u>\$ (582,259)</u>	<u>\$ 928,910</u>	<u>\$ 1,513,089</u>	<u>\$ (549,285)</u>	<u>\$ 963,824</u>

NOTE 6. COMPENSATED ABSENCES

No accrual for vacation pay was recorded at December 31, 2009 because the Organization requires vacation be taken by December 15 of each year.

NOTE 7. SPECIAL EVENTS

The revenue classification "Special Events and Activities" is comprised of the following areas: golf tournament and St. Patrick's Day Event.

NOTE 8. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Organization's financial position and operations. Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's presentation.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 9. LEASES

The Southern Appalachian Ronald McDonald House Charities, Inc. has a land lease for a period of twenty five (25) years, which expires in the year 2020. At the expiration of the original term, the lessee has the right and option, subject to the lessor's (Johnson City Medical Center Hospital, Inc.) consent, to renew or extend this lease for an additional term of twenty five (25) years. The annual rental sum is one dollar.

The Organization entered into a lease, beginning in June 2007, for five computer workstations for three years with monthly payments of \$336. In addition, the Organization entered into a lease, beginning in September 2007, for a server and backup equipment for three years with monthly payments of \$322. Both leases are operating leases. The total rent paid for the twelve months ended December 31, 2009 and 2008 was \$7,242 and \$7,674, respectively. The approximate remaining annual minimum lease payments under the non-cancelable operating leases existing as of December 31, 2009 are:

For the Year Ended:

December 31, 2010	\$	5,575
	\$	5,575

NOTE 10. INVESTMENTS

Investments are summarized as follows:

	December 31, 2009			December 31, 2008		
	Cost	Fair Value	Carrying Value	Cost	Fair Value	Carrying Value
Unrestricted:						
Cash and Money Market Funds	\$ 695	\$ 695	\$ 695	\$ 695	\$ 695	\$ 695
Bond Funds	287,216	299,786	299,786	276,804	264,459	264,459
Equity Funds	423,107	408,616	408,616	418,088	302,549	302,549
Total	\$ 711,018	\$ 709,097	\$ 709,097	\$ 695,587	\$ 567,703	\$ 567,703

The following schedule summarizes the investment return and its classification in the statement of activities:

	2009		2008	
	Unrestricted	Total	Unrestricted	Total
Interest and Dividends	\$ 27,981	\$ 27,981	\$ 45,611	\$ 45,611
Realized Gains/(Losses)	-	-	105	105
Unrealized Gains/(Losses)	125,960	125,960	(196,895)	(196,895)
Total Investment Return	\$ 153,941	\$ 153,941	\$ (151,179)	\$ (151,179)

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 11. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization has concentrations of credit risk resulting from cash deposits being maintained in banks within the same geographic region.

	2009		2008	
	Cash	Investments	Cash	Investments
Carrying Value	\$ 488,259	\$ 709,097	\$ 545,468	\$ 567,703
Bank Balance	490,128	709,097	552,452	567,703
Covered by FDIC	1,000,000	-	1,500,000	-
Covered by NCUA	500,000	-	-	500,000
Covered by SPIC	-	500,000	-	67,703
Not Covered	-	209,097	-	-

NOTE 12. ENDOWMENT

The Organization's endowment is Board designated. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 12. ENDOWMENT (Continued)

6. Other resources of the Organization
7. The investment policies of the Organization.

2009

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board-Designated Endowment Funds	\$ 555,589	\$ -	\$ -	\$ 555,589
 Total Funds	<u>\$ 555,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,589</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 436,557	\$ -	\$ -	\$ 436,557
Investment Return:				
Investment Income	10,808	-	-	10,808
Net Appreciation (Rcalized & Unrealized)	<u>108,224</u>	<u>-</u>	<u>-</u>	<u>108,224</u>
Total Investment Return	119,032	-	-	119,032
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 555,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,589</u>

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 12. ENDOWMENT (Continued)

2008

Endowment Net Asset Composition by Type of Fund as of December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Designated Endowment Funds	\$ 436,557	\$ -	\$ -	\$ 436,557
Total Funds	<u>\$ 436,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,557</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 493,222	\$ -	\$ -	\$ 493,222
Investment Return:				
Investment Income	16,797	-	-	16,797
Net Depreciation (Realized & Unrealized)	<u>(173,462)</u>	<u>-</u>	<u>-</u>	<u>(173,462)</u>
Total Investment Return	(156,665)	-	-	(156,665)
Contributions	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Endowment Net Assets, End of Year	<u>\$ 436,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,557</u>

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.
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NOTE 12. ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Organization's primary investment objective is to seek a rate of return comparable to those of standard market indices over a full market cycle of five years.

Strategies Employed for Achieving Objectives

The Organization's portfolio assets will be allocated among United States common stocks, United States convertible securities, United States fixed income securities, and United States cash equivalents. A portion of the portfolio, not to exceed fifteen percent of the overall portfolio, can be invested in non United States securities. Investments in commodities, not to exceed ten percent of the overall portfolio, may also be made. Portfolio assets shall be generally well diversified to avoid undue exposure to any single economic or industry sector or individual security.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization will try to maintain a minimum balance equivalent of at least one year's operating expense of the annual operating budget and has set a goal of two year's reserves as the ideal fund balance level.

NOTE 13 - FAIR VALUE MEASUREMENTS

Effective December 31, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. SFAS 157, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157, requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments-Unrestricted	\$ 709,097	709,097	-	-
Total Assets	\$ 709,097	709,097	-	-

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are applied using the market approach for investments. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

NOTE 14 - RELATED PARTY TRANSACTIONS

One Board member's employer began in 2009 to provide monthly payroll check writing, quarterly preparation of payroll tax returns, and annual preparation of Forms W-2, W-3, and 1099. The total amount paid for these services for the year ending December 31, 2009 amounted to \$1,448.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2010, which is the date the financial statements were available to be issued.