

***SOUTHERN APPALACHIAN  
RONALD McDONALD HOUSE CHARITIES, INC.***

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2010**

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2 – 3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7 – 18



**Eddy & Eddy**

CERTIFIED PUBLIC ACCOUNTANTS

Member of  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

PROFESSIONAL CORPORATION  
4718 Lake Park Drive, Suite 1  
Johnson City, TN 37615  
(423) 283-0777

Member of  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

(423) 283-7165 Fax

web:www.eddycpas.com e-mail: office@eddycpas.com

## 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, 2010 and 2009, 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, 2010 and 2009, 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  
May 5, 2011

**SOUTHERN APPALACHIAN RONALD MCDONALD  
HOUSE CHARITIES, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2010 and 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 483,677	\$ 488,259
Investments	777,835	709,097
Accounts Receivable	47,186	8,938
Accrued Interest Receivable	3,058	489
Dividends Receivable	476	1,965
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>\$ 1,292,030</b>	<b>\$ 1,208,808</b>
<b>PROPERTY AND EQUIPMENT</b>		
Building	\$ 1,304,032	\$ 1,295,604
Furniture and Fixtures	179,412	178,161
Office Equipment	52,353	37,404
Donation Box Equipment	51,814	-
Less: Accumulated Depreciation	(630,649)	(582,259)
	<hr/>	<hr/>
<b>Net Property and Equipment</b>	<b>\$ 956,962</b>	<b>\$ 928,910</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,248,992</b>	<b>\$ 2,137,718</b>

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD  
HOUSE CHARITIES, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2010 and 2009**

**LIABILITIES AND NET ASSETS**

	<u>2010</u>	<u>2009</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 13,397	\$ 9,319
Salaries and Benefits Payable	6,628	5,856
SS/Medicare Tax Payable	4,905	4,217
Current Obligations Under Capital Leases-Computer	4,018	-
Cash Advance	<u>20,176</u>	<u>-</u>
<b>Total Current Liabilities</b>	<b>\$ 49,424</b>	<b>\$ 19,383</b>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Obligations Under Cap. Leases-Computer	<u>\$ 12,172</u>	<u>\$ -</u>
<b>Total Long-Term Liabilities</b>	<b>\$ 12,172</b>	<b>\$ -</b>
<b>Total Liabilities</b>	<b>\$ 61,596</b>	<b>\$ 19,383</b>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>		
Board Designated - Capital Reserve	213,553	203,509
Board Designated - Endowment	614,082	555,589
Investment in Fixed Assets	920,536	928,910
Unreserved	<u>433,165</u>	<u>425,327</u>
<b>Total Unrestricted Net Assets</b>	<b>\$ 2,181,396</b>	<b>\$ 2,118,335</b>
Temporarily Restricted - Special Events and Activities	<u>6,000</u>	<u>5,000</u>
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 6,000</b>	<b>\$ 5,000</b>
<b>Total Net Assets</b>	<b>\$ 2,187,396</b>	<b>\$ 2,118,335</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,248,992</b>	<b>\$ 2,137,718</b>

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD  
HOUSE CHARITIES, INC.  
STATEMENT OF ACTIVITIES  
For Years Ended December 31, 2010 and December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b>Revenues, gains (losses) and other support</b>					
Contributions and Donations	\$ 377,398	\$ 9,080	\$ -	\$ 386,478	\$ 323,417
Donated Goods and Services	-	47,469	-	47,469	55,997
McDonald's Donations / Events	114,524	12,954	-	127,478	72,389
Investment Income	21,804	-	-	21,804	27,961
Unrealized Gain/Loss	52,849	-	-	52,849	125,960
Miscellaneous Revenue	-	-	-	-	2
Special Events and Activities	48,765	-	-	48,765	57,196
Less Direct Expenses	(49,021)	-	-	(49,021)	(35,010)
<b>Net Special Events and Activities</b>	<b>(256)</b>	<b>-</b>	<b>-</b>	<b>(256)</b>	<b>22,186</b>
Net Assets Released From Restrictions: Programs, Equipment and Building	68,503	(68,503)	-	-	-
<b>Total revenues, gains (losses) and other support</b>	<b>\$ 634,922</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 635,922</b>	<b>\$ 627,992</b>
<b>Expenses</b>					
Program Services - House	\$ 264,967	\$ -	\$ -	\$ 264,967	\$ 252,993
Total Program Services	264,967	-	-	264,967	252,993
Management and General	124,365	-	-	124,365	119,731
Fund Raising	151,844	-	-	151,844	174,500
Unallocated Payments to Affiliated Organizations	25,585	-	-	25,585	22,693
<b>Total Expenses</b>	<b>566,761</b>	<b>-</b>	<b>-</b>	<b>566,761</b>	<b>569,917</b>
Change in Net Assets	68,061	1,000	-	69,061	58,015
Net Assets at Beginning of Year	2,113,335	5,000	-	2,118,335	2,060,320
<b>Net Assets at End of Year</b>	<b>\$ 2,181,396</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 2,187,396</b>	<b>\$ 2,118,335</b>

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD  
HOUSE CHARITIES, INC.  
STATEMENT OF CASH FLOWS  
For Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 69,061	\$ 58,015
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	58,590	44,895
Decrease (Increase) in Accounts Receivable	(39,266)	(2,284)
Decrease (Increase) in Investments	(68,538)	(141,394)
Increase (Decrease) in Accounts Payable	4,087	460
Increase (Decrease) in Accrued Liabilities	1,760	(6,920)
Donated Equipment	(5,000)	-
Total Adjustments	<u>(48,367)</u>	<u>(105,443)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ 20,694</u>	<u>\$ (47,428)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	<u>\$ (81,642)</u>	<u>\$ (9,781)</u>
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>\$ (81,642)</u>	<u>\$ (9,781)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Leases Borrowings	\$ 17,949	\$ -
Capital Leases Repayments	(1,759)	-
Cash Advances Received	38,861	-
Cash Advances Repayments	<u>(18,685)</u>	<u>-</u>
<b>Net Cash Provided (Used) By Financing Activities</b>	<u>\$ 36,366</u>	<u>\$ -</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (24,582)	\$ (57,209)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>\$ 488,259</u>	<u>\$ 545,468</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 463,677</u>	<u>\$ 488,259</u>
<b>SUPPLEMENTAL DATA:</b>		
Income Taxes	\$ 0	
Interest Expense	\$ 1,333	
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Donated Equipment	\$ 5,000	

See Accompanying Accountants' Report and Notes.

**SOUTHERN APPALACHIAN RONALD MCDONALD  
HOUSE CHARITIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For Years Ended December 31, 2010 and December 31, 2009**

	2010				2009			
	Program Services	Supporting Services Management & General	Fund- raising	Total	Program Services	Supporting Services Management & General	Fund- raising	Total
Salaries	\$ 77,472	\$ 46,797	\$ 74,268	\$ 198,537	\$ 81,130	\$ 41,429	\$ 71,270	\$ 193,829
Employee Benefits	18,841	7,933	6,280	33,054	17,200	7,242	5,733	30,175
Insurance - Excess Liability	4,942	11,532	-	16,474	4,336	10,118	-	14,454
Insurance - Workers' Comp	1,153	2,691	-	3,844	854	1,994	-	2,848
Mileage/Travel	-	2,379	-	2,379	-	4,797	-	4,797
Employee Payroll Taxes	7,153	6,987	2,495	16,635	6,875	6,715	2,398	15,988
Utilities	19,380	569	-	19,949	19,567	577	-	20,144
Conference/Education	5,179	6,330	-	11,509	-	9,320	190	9,510
Advertising/Newsletter	-	-	26,960	26,960	-	-	20,465	20,465
Office Supplies	2,404	3,607	-	6,011	-	3,281	672	3,953
Telephone	4,378	3,502	875	8,755	1,557	5,061	1,168	7,786
Acknowledgement	1,957	-	-	1,957	3,949	-	-	3,949
Maintenance Supplies	16,687	-	-	16,687	14,463	-	-	14,463
Fire Security Systems	1,719	-	-	1,719	2,114	-	-	2,114
House Expenses	11,502	-	-	11,502	10,983	-	-	10,983
Volunteer Recognition	-	-	3,249	3,249	-	-	1,103	1,103
Consulting Fees	3,823	4,672	-	8,495	-	-	30,023	30,023
Computer Expenses	3,309	6,618	3,309	13,236	-	13,320	2,729	16,049
Postage/Shipping	1,138	1,137	-	2,275	1,370	1,370	-	2,740
Imputed Interest	-	1,333	-	1,333	-	-	-	-
Professional Services	-	11,637	-	11,637	-	7,753	-	7,753
Donated Goods and Service	26,959	-	-	26,959	45,048	-	-	45,048
Licenses/Taxes	-	606	-	606	-	989	-	989
Depreciation Expense	56,246	2,344	-	58,590	42,907	1,788	-	44,695
Dues and Subscriptions	-	3,301	-	3,301	-	3,613	-	3,613
Elevator Maintenance	160	-	-	160	308	-	-	308
Sprinkler System	400	-	-	400	240	-	-	240
Internet	120	390	90	600	112	364	84	560
Canisters Expenses	-	-	13,754	13,754	-	-	15,731	15,731
Miscellaneous Expenses	45	-	20,564	20,609	-	-	22,934	22,934
<b>Total Functional Expenses</b>	<b>264,967</b>	<b>124,365</b>	<b>151,844</b>	<b>541,176</b>	<b>252,993</b>	<b>119,731</b>	<b>174,500</b>	<b>547,224</b>
Unallocated Payments to Affiliates - RMHC Program	-	-	-	25,585	-	-	-	22,693
<b>Total Expenses</b>	<b>\$ 264,967</b>	<b>\$ 124,365</b>	<b>\$ 151,844</b>	<b>\$ 566,761</b>	<b>\$ 252,993</b>	<b>\$ 119,731</b>	<b>\$ 174,500</b>	<b>\$ 569,917</b>

See Accompanying Accountants' Report and Notes.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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, 2010

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.

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).

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>2010</u>	<u>2009</u>
Petty Cash	\$ 270	\$ 270
Cash - Checking	20,301	12,244
Cash - Savings	243,106	193,695
Certificates of Deposit	<u>200,000</u>	<u>282,050</u>
Cash and Cash Equivalents	<u>\$ 463,677</u>	<u>\$ 488,259</u>

Certificates of deposit at three local financial institutions have maturities of twelve or thirteen months and interest rates from 1.00% to 2.00%.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010 and 2009 was \$21,864 and \$12,545 respectively.

Reclassifications

Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 2. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Donated Goods & Services	\$ 47,469	\$ 55,997
Room Contributions	3,080	5,241
Grant - Non Cash	12,954	-
Restricted Donations	5,000	-
	<u>\$ 68,503</u>	<u>\$ 61,238</u>

Temporarily restricted net assets at December 31, 2010 were as follows:

St. Patrick's Day Sponsorship    \$ 6,000

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

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 \$47,469 for the year ended December 31, 2010 and \$55,997 for the year ended December 31, 2009. 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 33% of the Organization's 2010 donations.

NOTE 4. ACCOUNTS RECEIVABLE

The Organization's accounts receivable is comprised of:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Contributions	\$ 2,106	\$ 6,300
Radiothon	1,035	2,303
Hands	38,000	-
1% Promotion	4,003	-
Other	2,042	395
	<u>\$ 47,186</u>	<u>\$ 8,998</u>

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

NOTE 5. COMPENSATED ABSENCES

No accrual for vacation pay was recorded at December 31, 2010 because the Organization requires vacation be taken by December 15 of each year.

NOTE 6. SPECIAL EVENTS

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

NOTE 7. 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, 2010

NOTE 8. 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, 2010 and 2009 amounted to \$58,590 and \$44,695, respectively.

Property and Equipment are comprised of the following:

	December 31, 2010			December 31, 2009		
	Cost	Accum. Depr.	Net	Cost	Accum. Depr.	Net
Office Equipment	\$ 52,353	\$ (26,193)	\$ 26,160	\$ 37,404	\$ (29,607)	\$ 7,797
Furniture & Fixtures	179,412	(126,840)	52,572	178,161	(121,255)	56,906
Building	1,304,032	(467,309)	836,723	1,295,604	(431,397)	864,207
Donation Box Equip.	51,814	(10,307)	41,507	-	-	-
Total	<u>\$ 1,587,611</u>	<u>\$ (630,649)</u>	<u>\$ 956,962</u>	<u>\$ 1,511,169</u>	<u>\$ (582,259)</u>	<u>\$ 928,910</u>

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 were operating leases. The total rent paid for the twelve months ended December 31, 2010 and 2009 was \$4,258 and \$7,242, respectively. These leases ended in 2010.

In 2010 the Organization entered into two capital lease agreements – one for five workstations and one for a server. The workstations lease began June 2010; the server lease began September 2010. Monthly payments for the workstation lease are \$308.79 for thirty six (36) months; monthly payments for the server lease are \$232.50 for sixty (60) months. For the year ended December 31, 2010, payments amounted to \$3,092: \$1,333 in imputed interest as shown on the statement of functional expenses, and \$1,759 in principal payments, as shown on the statement of cash flows.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

NOTE 9. LEASES (Continued)

Future minimum lease payments required under the two capital leases, for the years ended December 31, are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 6,495
2012	6,495
2013	4,334
2014	2,790
2015	<u>1,860</u>
Total Approximate Minimum Lease Payments	21,974
Less: Approximate Amount Representing Interest	<u>(5,784)</u>
Present Value of Minimum Lease Payments	16,190
Less: Current Portion	<u>(4,018)</u>
Noncurrent Portion	<u>\$ 12,172</u>

The following is an analysis of the leased assets in office equipment at December 31, 2010:

Capital Assets - Workstations and Server	\$ 17,949
Less: Accumulated Amortization	<u>(2,147)</u>
Net Leased Assets	<u>\$ 15,802</u>

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

NOTE 10. INVESTMENTS

Investments are summarized as follows:

	December 31, 2010			December 31, 2009		
	Cost	Fair Value	Carrying Value	Cost	Fair Value	Carrying Value
Unrestricted:						
Cash and Money Market Funds	\$ 695	\$ 695	\$ 695	\$ 695	\$ 695	\$ 695
Bond Funds	299,235	314,663	314,663	287,216	299,786	299,786
Equity Funds	426,779	462,277	462,277	423,107	408,616	408,616
Total	<u>\$ 726,709</u>	<u>\$ 777,635</u>	<u>\$ 777,635</u>	<u>\$ 711,018</u>	<u>\$ 709,097</u>	<u>\$ 709,097</u>

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

	2010		2009	
	Unrestricted	Total	Unrestricted	Total
Interest and Dividends	\$ 21,804	\$ 21,804	\$ 27,981	\$ 27,981
Realized Gains/(Losses)	-	-	-	-
Unrealized Gains/(Losses)	52,849	52,849	125,960	125,960
Total Investment Return	<u>\$ 74,653</u>	<u>\$ 74,653</u>	<u>\$ 153,941</u>	<u>\$ 153,941</u>

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.

	2010		2009	
	Cash	Investments	Cash	Investments
Carrying Value	\$ 463,677	\$ 777,635	\$ 488,259	\$ 709,097
Bank Balance	468,168	777,635	490,128	709,097
Covered by FDIC	1,000,000	-	1,000,000	-
Covered by NCUA	500,000	-	500,000	-
Covered by SPIC	-	500,000	-	500,000
Not Covered	-	277,635	-	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

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

NOTE 12. ENDOWMENT (Continued)

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

2010

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Designated				
Endowment Funds	\$ 614,082	\$ -	\$ -	\$ 614,082
Total Funds	<u>\$ 614,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,082</u>

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 12. ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2010:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 555,589	\$ -	\$ -	\$ 555,589
Investment Return:				
Investment Income	10,518	-	-	10,518
Net Appreciation (Realized & Unrealized)	<u>47,975</u>	<u>-</u>	<u>-</u>	<u>47,975</u>
Total Investment Return	58,493	-	-	58,493
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 614,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,082</u>

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	<u>\$ 555,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,589</u>
Total Funds	<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, 2010

NOTE 12. ENDOWMENT (Continued)

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 Depreciation (Realized & 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>

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.

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

NOTE 12. ENDOWMENT (Continued)

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

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* 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.

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

<u>Fair Value Measurements at Reporting Date Using</u>				
	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	\$ 777,635	777,635	-	-
Total Assets	\$ 777,635	777,635	-	-

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

SOUTHERN APPALACHIAN RONALD McDONALD HOUSE CHARITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

NOTE 14 – RELATED PARTY TRANSACTIONS

Two Board members' employer provides 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, 2010 amounted to \$1,675.

NOTE 15 – UNCERTAINTY IN INCOME TAXES

The FASB ASC provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. As of December 31, 2010 and 2009, the entity had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The entity's policy is to recognize interest and penalties on unrecognized tax liabilities in income tax expense in the financial statements. No interest or penalties were recorded during the years ended December 31, 2010 and 2009. Generally, the tax years prior to 2007 are no longer subject to examination by federal taxing authorities.

NOTE 16– SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 5, 2011, which is the date the financial statements were available to be issued.