
RONALD MCDONALD HOUSE OF NEW YORK, INC.



RONALD MCDONALD
HOUSE NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2011 and 2010



Marks Paneth & Shron LLP
Certified Public Accountants & Consultants
IT ALL ADDS UP.

RONALD MCDONALD HOUSE OF NEW YORK, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House of New York, Inc.

We have audited the accompanying statements of financial position of Ronald McDonald House of New York, Inc. (the "Organization") as of December 31, 2011 and 2010, 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 Ronald McDonald House of New York, Inc. as of December 31, 2011 and 2010, 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.

MARKS PANETH & SHRON LLP

New York, NY
April 18, 2012



RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash (Notes 2B and 10)	\$ 1,574,044	\$ 2,230,213
Prepaid expenses and other receivables (Notes 2F and 4)	606,925	550,222
Contributions and pledges receivable, net (Notes 2F and 3)	1,036,118	1,392,575
Investments (Notes 2G, 2H, 4, 7 and 12)	40,354,494	39,565,421
Restricted cash (Notes 4, 6 and 12)	663,026	662,970
Property and equipment, net (Notes 2E, 2J, 5, and 6)	24,686,411	25,138,446
Deferred financing costs, net (Note 6)	64,347	83,189
TOTAL ASSETS	\$ 68,985,365	\$ 69,623,036
LIABILITIES		
Accounts payable and accrued expenses (Note 7)	\$ 1,139,270	\$ 993,650
Refundable advances (Note 2L)	176,637	149,500
Bonds payable (Note 6)	7,500,000	8,400,000
TOTAL LIABILITIES	8,815,907	9,543,150
COMMITMENTS (Note 11)		
NET ASSETS (Note 2C)		
Unrestricted:		
Undesignated	40,895,972	41,127,673
Net investment in property and equipment	17,250,758	16,821,635
Designated for future use (Note 8)	519,502	507,654
Total unrestricted	58,666,232	58,456,962
Temporarily restricted (Note 8)	399,311	519,009
Permanently restricted (Notes 4 and 8)	1,103,915	1,103,915
TOTAL NET ASSETS	60,169,458	60,079,886
TOTAL LIABILITIES AND NET ASSETS	\$ 68,985,365	\$ 69,623,036

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Year Ended December 31, 2011			Year Ended December 31, 2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
PUBLIC SUPPORT AND REVENUE:								
Public Support:								
Special events revenue	\$ 7,866,210	\$ -	\$ -	\$ 7,866,210	\$ 6,646,356	\$ -	\$ -	\$ 6,646,356
Less: cost of direct benefit to donors	(1,276,968)	-	-	(1,276,968)	(1,170,496)	-	-	(1,170,496)
Special events, net	6,589,242	-	-	6,589,242	5,475,860	-	-	5,475,860
Bequests (Note 2F and 10B)	303,758	-	-	303,758	1,560,142	-	-	1,560,142
Direct mail contributions	1,717,285	-	-	1,717,285	1,789,373	-	-	1,789,373
Contributions (Note 2J)	3,009,707	61,975	-	3,071,682	2,755,725	402,800	-	3,158,525
Total public support	11,619,992	61,975	-	11,681,967	11,581,100	402,800	-	11,983,900
Revenue:								
Room rental (Note 2F)	739,248	-	-	739,248	827,085	-	-	827,085
Investment (loss) income (Note 4)	(763,193)	-	-	(763,193)	2,718,290	-	-	2,718,290
Parking garage rental, net of costs of \$331,670 in 2011 and \$329,182 in 2010 (Notes 5 and 11)	129,826	-	-	129,826	118,874	-	-	118,874
Other	31,500	-	-	31,500	34,128	-	-	34,128
Total revenue	137,381	-	-	137,381	3,698,377	-	-	3,698,377
Net assets released from restrictions (Note 8)	181,673	(181,673)	-	-	513,378	(513,378)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	11,939,046	(119,698)	-	11,819,348	15,792,855	(110,578)	-	15,682,277
EXPENSES:								
Program Services								
Room rental	6,138,215	-	-	6,138,215	6,268,944	-	-	6,268,944
Camp Ronald McDonald	96,370	-	-	96,370	69,305	-	-	69,305
Volunteer activities	463,929	-	-	463,929	372,750	-	-	372,750
Education and support	521,369	-	-	521,369	611,942	-	-	611,942
Total supporting services	7,219,883	-	-	7,219,883	7,322,941	-	-	7,322,941
Supporting Services:								
Management and general Fundraising	1,487,621	-	-	1,487,621	1,150,837	-	-	1,150,837
Total supporting services	3,006,069	-	-	3,006,069	2,742,488	-	-	2,742,488
TOTAL EXPENSES	11,713,573	-	-	11,713,573	11,216,266	-	-	11,216,266
CHANGE IN NET ASSETS BEFORE WRITE-OFF OF ASSETS	225,473	(119,698)	-	105,775	4,576,589	(110,578)	-	4,466,011
Write-off of assets (Note 5)	(16,203)	-	-	(16,203)	(15,549)	-	-	(15,549)
CHANGE IN NET ASSETS	209,270	(119,698)	-	89,572	4,561,040	(110,578)	-	4,450,462
Net assets - beginning of year	58,458,962	519,009	1,103,915	60,079,886	53,895,922	629,587	1,103,915	55,629,424
NET ASSETS - END OF YEAR	\$ 58,668,232	\$ 399,311	\$ 1,103,915	\$ 60,169,458	\$ 58,456,962	\$ 519,009	\$ 1,103,915	\$ 60,079,886

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

For the Year Ended December 31, 2010

	Program Services			Supporting Services		Total 2010
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Management and General	
Salaries	\$ 1,766,280	\$ 35,860	\$ 140,439	\$ 115,098	\$ 461,700	\$ 640,678
Payroll taxes and employee benefits (Note 7)	635,695	9,713	44,941	36,831	163,146	226,350
Total Salaries and Related Costs	2,401,975	45,573	185,380	151,929	624,846	867,028
Occupancy	301,664	-	-	-	1,516	-
Consulting fees	15,779	-	-	-	25,265	9,486
Repairs and maintenance (Note 2J)	186,168	-	-	-	936	-
Supplies (Note 2J)	220,643	-	-	2,809	40,899	11,861
Family activity expenses:						
Program entertainment and enrichment (Note 2J)	347,255	15,432	-	179,304	-	-
Trips, outings and parties	-	8,300	91,564	28,871	-	-
Education and counseling	-	-	-	69,426	-	-
Transportation and other	-	-	95,806	51,596	-	-
Volunteer and staff recognition	86,776	-	-	-	32,774	14,760
Staff development	29,217	-	-	-	7,164	6,530
Fundraising support activities (Note 2J)	-	-	-	-	-	103,220
Special events expense	-	-	-	-	-	1,821,984
Printing and publications	68,827	-	-	1,452	16,346	23,389
Professional fees (Note 2J)	130,051	-	-	2,200	137,166	-
Telephone	77,444	-	-	2,601	17,680	30,680
Insurance	63,538	-	-	-	319	-
Postage, messenger and other	35,506	-	-	-	7,966	12,689
Direct mail campaign expenses:						
Printing, postage and mailing services (Note 9)	-	-	-	121,754	-	793,517
Consulting fees and list purchases	-	-	-	-	-	83,597
Artwork and other	-	-	-	-	-	5,944
Real estate taxes	-	-	-	-	-	127,161
Travel	18,531	-	-	-	21,232	-
Miscellaneous	92,603	-	-	-	3,795	11,875
Bad debt	-	-	-	-	189,473	108,067
Depreciation	2,102,998	-	-	-	22,998	275
Interest expense (Note 6)	69,147	-	-	-	347	-
Amortization of deferred financing costs (Note 6)	20,822	-	-	-	115	-
Subtotal	6,268,944	69,305	372,750	611,942	1,150,837	3,912,984
Less: cost of operations of parking garage	-	-	-	-	-	329,182
Less: cost of direct benefit to donor	-	-	-	-	-	(329,182)
TOTAL EXPENSES	\$ 6,268,944	\$ 69,305	\$ 372,750	\$ 611,942	\$ 1,150,837	\$ 2,742,488
						\$ 11,216,266

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 89,572	\$ 4,450,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,307,205	2,314,353
Bad debt	55,249	189,473
Amortization of deferred financing costs	18,842	20,937
Contributed property and equipment	(309,347)	(286,245)
Unrealized loss/(gain) on investments	1,353,029	(1,993,011)
Realized gain on investment sales	(86,165)	(293,622)
Loss on disposal of property and equipment	16,203	15,549
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses and other receivables	(56,703)	(161,879)
Contributions and pledges receivable	301,208	(478,468)
Increase in liabilities:		
Accounts payable and accrued expenses	145,620	366,711
Refundable advances	27,137	119,590
Net Cash Provided by Operating Activities	3,861,850	4,263,850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,562,026)	(2,471,681)
Proceeds from investment sales	34,136,091	20,315,547
Purchases of investments	(36,192,084)	(20,609,231)
Net Cash Used in Investing Activities	(3,618,019)	(2,765,365)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of bond payable	(900,000)	(900,000)
Net Cash Used in Financing Activities	(900,000)	(900,000)
NET (DECREASE) INCREASE IN CASH	(656,169)	598,485
Cash - beginning of year	2,230,213	1,631,728
CASH - END OF YEAR	\$ 1,574,044	\$ 2,230,213
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 16,000	\$ 20,349
Noncash Investing Activities		
Contributed property and equipment	\$ 309,347	\$ 286,245

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Ronald McDonald House of New York, Inc. (the "Organization"), a place where hope has a home, provides temporary housing for pediatric cancer patients and their families while undergoing treatment at our 12 partnering hospitals. The Organization assists up to 84 families from all over the world, 365 days per year and has assisted over 30,000 families in its over 33 year history. The Organization provides families with a supportive and caring environment consisting of emotional and spiritual support programs, comprehensive education programs and daily volunteer led activities. Individuals and groups volunteer their time for programs including pet therapy, music & dance programs, yoga & wellness, tutoring, computer training, science, Camp Ronald McDonald, self-defense and stress relief, daily playroom and evening activities. The programs give families the opportunity to share experiences, make new friends, and create a support group while building a friendly caring, supporting and fun community.

The largest program is to provide a low cost temporary home (the "House") for the families during their stay in New York. The House has 84 guest rooms, laundry facilities on each guest floor, four large kitchens, dining area, living room, chapel, two outside terraces, an atrium, playroom and a computer room. The House also provides round trip transportation services to families for hospital appointments.

The Comprehensive Education and Family Activities Program consists of comprehensive education programs, emotional and spiritual support programs and pet therapy programs. The core educational program consists of after school tutoring for patients and siblings to assist in keeping education as a stable part of the child's daily routine. In addition to this program, the Organization offers ESL for guests who want to learn English. Rounding out the core education program are science, art, music, care giver support programs, and self-defense/dance movement. Our computer lab assists our guests to stay in touch with friends and family as well as a communication network to maintain work-related commitments. The care giver support programs are vital to parents' well-being and stress management as they manage the treatment process for their child. The programs include a caregiver support group, new guest orientation, women's wellness and exercise, interfaith prayer service, hope and healing Mass with Sacrament of the Sick and a Latina spirituality and support group.

Camp Ronald McDonald is a place where children build a volcano, enjoy roasted marshmallow s'mores, create the best water balloon and laugh until they cry, all in one place. During the months of July and August, children staying at the House can enjoy camp activities like kayaking, trapeze school, arts & crafts, drama, dance, water games, sports and much more.

The Organization is a Section 501(c)(3) organization under the applicable provisions of the Internal Revenue Code (the "Code") and, accordingly, is not subject to federal income taxes. The Organization is also exempt from New York State and New York City income and sales taxes. The Organization has been classified as a publicly-supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America.
- B. The Organization considers highly liquid investments purchased with a maturity of three months or less when acquired, to be operating cash equivalents. Additionally, the Organization considers all cash other than that held in the Organization's investment portfolio to be cash.
- C. The Organization maintains its net assets under the following three classes:
 - Unrestricted – represents resources available for support of the Organization's operations over which the Board of Directors (the "Board") has discretionary control, including funds expended for property, and equipment and related expenditures

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 1998, the Organization initiated a direct fundraising campaign to solicit commitments from the Board for the long-term viability of the Organization. Contributions received as a result of this campaign are classified as unrestricted. Accordingly, approximately \$518,000 of the unrestricted net assets are related to this campaign, but are considered unrestricted due to their broad use nature.

- Temporarily Restricted – resulting from contributions and other inflows of assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions. The Organization reports restricted contributions whose stipulations were met in the same year as unrestricted contributions. Unless otherwise directed by the donor, earnings on endowment assets are temporarily restricted until appropriated by the Board for spending.
 - Permanently Restricted – represents those resources subject to donor imposed stipulations that should be maintained intact in perpetuity.
- D. 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 at the date of the financial statements. Actual results could differ from those estimates.
- E. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes property and equipment with a cost of \$1,000 or higher and a useful life of at least three years.
- F. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates for the expected term of the promises to give applicable to the years in which the promises are received, if material. Amortization of the discounts is included in contribution income. Room rental revenue is recorded when the family and child check in to stay at the Organization. As of December 31, 2011 and 2010, the Organization determined that an allowance for room rental receivables (included with other receivables on the accompanying statements of financial position) is not necessary. Conditional promises to give are not included as support until the conditions are substantially met.

As of December 31, 2011 and 2010, the Organization determined that an allowance for uncollectible pledges of \$100,000, per year, is necessary. This determination is based on a combination of factors, such as management's estimate of the creditworthiness of the contributors, a review of individual accounts outstanding, and the aged basis of the receivable and historical experience.

Bequests are recognized as receivables at the time unassailable rights to the gifts have been established and the proceeds are measurable.

- G. Investments are carried at fair value. Investment income, including realized and unrealized gains and losses are recorded in the unrestricted fund, unless there are restrictions that have been imposed by donors or other outside parties. Investment income on donor restricted endowments is recorded in the temporarily restricted fund until appropriated for spending by the Board.
- H. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 12.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. Functional expenses which are not specifically attributable to program services or supporting services are allocated based on estimates determined by management.
- J. In-kind contributions are recorded as revenue in the period in which they are received and which would typically be purchased had they not been provided by donation. For the years ended December 31, 2011 and 2010, the Organization recorded contributed goods and services amounting to \$885,753 and \$788,076, respectively, which are included in revenue, expenses and fixed assets for capitalized property and equipment in the accompanying financial statements. During the years ended December 31, 2011 and 2010, a member of the Organization's Board of Directors was the CEO of a public relations firm that donated approximately \$125,000 and \$69,000 of services to the Organization, which is shown below as contributed program entertainment and enrichment and professional fees. During 2011 and 2010, in-kind contributions included the following:

	2011	2010
Capitalized property and equipment	\$ 309,347	\$ 286,245
Contributed program entertainment and enrichment	351,161	368,082
Contributed professional fees	31,166	18,317
Contributed supplies	87,100	58,136
Contributed repairs and maintenance	13,486	5,404
Contributed fundraising support activities	93,493	51,892
Total in-kind contributions	\$ 885,753	\$ 788,076

Many volunteers, including members of the Board, have made significant contributions of time in furtherance of the Organization's policies and programs. The value of this contributed time does not meet the criteria for recognition and therefore is not reflected in the statements of activities. The approximate value of such contributed time amounted to \$495,000 and \$538,000, respectively, for the years ended December 31, 2011 and 2010.

- K. The Organization has a licensing agreement with Ronald McDonald Charities ("Charities") whereby the Organization has the right to use certain trademarks. The Organization also has the obligation to meet certain compliance requirements stipulated by the Charities.
- L. The Organization receives cash in advance of special events that are to be held after the statement of financial position date. It is the Organization's policy to refund all cash received in advance of special events for both the contribution and exchange portion, if the event is subsequently cancelled.
- M. Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 18, 2012, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2011 through April 18, 2012, that would require adjustment to or disclosure in the accompanying financial statements.
- N. The Organization had no uncertain tax positions as of December 31, 2011 and 2010 in accordance with Accounting Standards Codification ("ASC") Topic 740 "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before December 31, 2008.
- O. Certain line items in the December 31, 2010 financial statements have been reclassified to conform to the December 31, 2011 presentation.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 3 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Due in less than a year	\$ 1,036,118	\$ 1,292,677
Between one and five years	<u>100,000</u>	<u>199,898</u>
	1,136,118	1,492,575
Less: Allowance for uncollectible accounts	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 1,036,118</u>	<u>\$ 1,392,575</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	
Unrestricted:			
Cash	\$ 2,516,033	\$ 1,738,297	
Money market funds	83,749	1,206,260	
Equity securities:			
U.S. large cap	1,996,277	880,641	
U.S. mid/small cap	386,886	1,212,311	
Non U.S. equities	1,378,975	1,508,962	
Fixed income securities:			
Mutual funds	8,636,334	3,409,756	
Corporate bonds	1,797,351	5,410,947	
Government and agency bonds	144,173	519,340	
International bonds	492,449	426,992	
Non U.S. global macro fund	-	197,594	
Other	-	278,965	
Mutual funds:			
Common stock	72,002	68,006	
U.S. large cap	821,598	16,094	
U.S. mid/small cap	4,473	5,505	
Non U.S. equities	25,522	6,776	
Fixed income securities	-	8,047	
Cash	<u>75,332</u>	<u>3,782</u>	
Subtotal	<u>18,431,154</u>	<u>16,898,275</u>	
Alternative investments:			
Hedge funds	\$ 4,448,422	\$ 4,735,284	A
Limited partnerships	17,307,160	16,659,718	B
Structured investments	<u>167,758</u>	<u>1,272,144</u>	C
Subtotal	<u>21,923,340</u>	<u>22,667,146</u>	
Total Unrestricted	<u>40,354,494</u>	<u>39,565,421</u>	
Restricted:			
Cash	<u>663,026</u>	<u>662,970</u>	
Total	<u>\$ 41,017,520</u>	<u>\$ 40,228,391</u>	

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 4 – INVESTMENTS (Continued)

- A. Hedge funds are investments in cash, limited partnerships and pooled investment funds that invest primarily in domestic and international equity and mortgage securities. The hedge funds may also trade various financial instruments with off-balance sheet risk. These financial instruments may include securities sold short and long, option contracts, differential and foreign currency forward contracts. Such transactions subject the hedge and real assets funds and their investors to market risk associated with changes in the value of the underlying securities, financial instruments, and foreign currencies, as well as the risk of loss if counterparty fails to perform. The respective hedge fund managers endeavor to limit the risk associated with such transactions.
- B. Limited Partnerships are funds whose purpose is to achieve capital appreciation through investments primarily in hedge funds, domestic and foreign equity funds and private equity funds.
- C. Structured investments include return enhancement notes and buffered return enhancement notes that combine a debt security with an underlying asset, such as an equity, a basket of equities, a domestic or international index, a commodity or some type of hybrid security. Gains may be capped and there may be no principal protection in the event of a market decline.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

As December 31, 2011 and 2010, \$663,026 and \$662,970, respectively, were restricted for bond repayment. In addition, \$1,103,915 was restricted for endowment as of December 31, 2011 and 2010.

Interest receivable of \$46,089 and \$49,025 as of December 31, 2011 and 2010 is for interest earned on investments, but not received, and are included in prepaid expenses and other receivables on the statements of financial position.

Investment income consists of the following for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 503,671	\$ 431,657
Unrealized (loss)/gain on investments	(1,353,029)	1,993,011
Realized gain on investment sales	<u>86,165</u>	<u>293,622</u>
	<u>\$ (763,193)</u>	<u>\$ 2,718,290</u>

The Organization incurred investment expenses of \$71,925 and \$60,828 during the years ended December 31, 2011 and 2010, respectively, and are reported as professional fees in the accompanying statements of functional expenses.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Land	\$ 9,600,607	\$ 9,600,607	
Building	25,983,954	25,983,954	5-30 years
Vehicle	174,101	125,350	3 years
Furniture, fixtures and equipment	7,783,332	6,865,050	3-10 years
Construction in progress	<u>330,900</u>	<u>-</u>	
Total cost	43,872,894	42,574,961	
Less: Accumulated depreciation	<u>(19,186,483)</u>	<u>(17,436,515)</u>	
Net book value	<u>\$ 24,686,411</u>	<u>\$ 25,138,446</u>	

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Construction in progress represents certain improvements to the Organization that had not been completed as of December 31, 2011.

Depreciation expense amounted to \$2,307,205 and \$2,314,353 for the years ended December 31, 2011 and 2010, respectively.

During the year ended December 31, 2011 and 2010, the Organization wrote off partially depreciated assets that were no longer in use with an original cost of \$573,440 and accumulated depreciation of \$557,237 for 2011, and original cost of \$175,129 and accumulated depreciation of \$159,670 for 2010. The resulting loss on disposal of property and equipment of \$16,203 and \$15,549, respectively, is included in other revenue in the accompanying statement of activities.

NOTE 6 – BONDS PAYABLE

Bonds payable amounted to \$7,500,000 and \$8,400,000 as of December 31, 2011 and 2010, respectively, and consist of variable rate tax-exempt bonds. Proceeds were used for the construction of the House on East 73rd Street in Manhattan, completed in 1993.

The Bonds were issued in May 1991 through the New York City Industrial Development Authority (the "IDA"). The IDA will hold title to the House until the bonds are repaid. In accordance with an agreement between the Organization and the IDA, the Organization is required to make monthly payments to the IDA, which equals the principal and interest due. The interest rate on the bonds is determined each time the bonds are sold by the remarketing agent, but cannot exceed 13% per annum.

At December 31, 2011 and 2010, the interest rate on the bonds was 0.1% and 0.33% per annum, respectively. The Bonds have a maturity of 30 years, but the Organization can repay the payments at any time and retire the bond issue.

The Bonds are collateralized by a letter of credit in the amount of the outstanding bond balance in which four banks participate. The letter of credit has been extended through November 8, 2013. In addition, the Organization has agreed to grant a mortgage on the House to both the Bond Trustee and the Bank of New York in accordance with the bond documents.

For the years ended December 31, 2011 and 2010, activity related to bond principal consisted of the following:

	<u>2011</u>	<u>2010</u>
Bonds payable, at the beginning of the year	\$ 8,400,000	\$ 9,300,000
Sinking fund payment for the year	<u>(900,000)</u>	<u>(900,000)</u>
Bonds payable, at the end of the year	<u>\$ 7,500,000</u>	<u>\$ 8,400,000</u>

Sinking fund requirements for the principal portion of the bonds payable for the years ended after December 31, 2011 are as follows:

2012	900,000
2013	1,000,000
2014	1,000,000
2015	1,100,000
2016	1,100,000
Thereafter	<u>2,400,000</u>
	<u>\$ 7,500,000</u>

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 6 – BONDS PAYABLE (Continued)

The Organization remits monthly payments of approximately \$75,000 to a trustee towards the next annual installment of \$900,000 due on May 1, 2012. As of December 31, 2011 and 2010, the debt sinking fund deposit with the Bond Trustee amounted to \$663,026 and \$662,970, respectively.

In connection with the bonds payable, the Organization incurred financing costs in the amount of \$615,760, which are being amortized over the life of the bonds using the straight-line basis, which approximates the effective interest method. Interest and amortization expense amounted to \$78,233 and \$90,431 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, deferred financing costs consist of the following:

	2011	2010
Deferred financing costs	\$ 615,760	\$ 615,760
Less: Accumulated amortization	(551,413)	(532,571)
Deferred financing costs	\$ 64,347	\$ 83,189

The estimated annual amortization expense for the five years following December 31, 2011 is:

2012	\$	16,687
2013		14,347
2014		12,007
2015		9,421
2016		6,835

NOTE 7 – PENSION RETIREMENT PLANS

The Organization maintains a Safe-Harbor 401(k) Profit Sharing Plan and a 401(k) Profit-Sharing Plan with Mutual of America (the "401(k) Plans"). The Organization makes contributions, at the discretion of the Executive Committee of the Board of Directors, to the 401(k) Plans on a biweekly basis. The contribution for the years ended December 31, 2011 and 2010 for the 401(k) Plans was approximately \$261,000 and \$236,000, respectively. Additionally, eligible employees were allowed to make tax-deferred contributions to the 401(k) Plans up to certain limits as identified in the Internal Revenue Code.

The Organization previously maintained the Ronald McDonald House of New York, Inc. Pension Plan (the "Pension Plan"), an eligible defined contribution pension plan under Section 457(b) of the Code. The Pension Plan was discontinued during 1997. Investments and accrued pension liabilities of \$70,502 and \$65,861 at December 31, 2011 and 2010, respectively, are included in investment assets and accrued expenses and liabilities in the statements of financial position. Pending Internal Revenue Service approval, management intends to roll over such assets and liabilities to the 401(k) Plans. At this time the Internal Revenue Code does not allow rollovers to a 401(k) plan from the Pension Plan.

In November 2011 the Organization instituted a Deferred Compensation Plan under Section 457(b) of the Code covering key employees. The deferred compensation liabilities amounted to \$29,994 as of December 31, 2011 and are included in investments and accrued expenses in accompanying statements of financial position.

NOTE 8 – NET ASSETS

Temporarily restricted net assets are available for the following as of December 31, 2011 and 2010:

	2011	2010
Purpose restricted	\$ 69,311	\$ 89,111
Time restricted	330,000	429,898
	\$ 399,311	\$ 519,009

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 8 – NET ASSETS (Continued)

For the years ended December 31, 2011 and 2010, temporarily restricted net assets in the amount of \$181,673 and \$513,378, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

Permanently restricted net assets of \$1,103,915 as of December 31, 2011 and 2010 consist of approximately \$586,000, originated in 1994 as a gift of donated securities with a donor stipulation that the value of the gift be maintained intact in perpetuity. All income from these securities is temporarily restricted until appropriated for spending by the Board. Income from the remainder of permanently restricted securities (approximately \$518,000 as of December 31, 2011 and 2010) is restricted for the purchase of supplies and gifts for children served by the Organization. The donor has requested that net appreciation of the securities underlying the net assets be considered permanently restricted.

The Board of Directors recognizes that NYS adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaces prior law which was the Uniform Management of Institutional Funds Act (“UMIFA”).

In addition, the Board recognizes that NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

The Organization’s investment strategy is to provide sufficient earnings in the form of a total return from both income and capital appreciations. The investments are managed so that over a reasonable period of time, the total return will exceed the sum of the percentage of distributions plus inflation and other investment expenses.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not as unrestricted. Following September 17, 2010, the Board (or a designated committee of the Board) will determine (quarterly, using a rolling 5-year average) how much of the earnings of such permanently restricted funds shall be appropriated for expenditure up to 7%, as deemed prudent at the time. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

Changes in endowment net assets for year ended December 31, 2011:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowments</u>
Investment activity:				
Interest and dividends	\$ 20,712	\$ 40,920	\$ -	\$ 61,632
Unrealized loss on investments	<u>(8,864)</u>	<u>(20,929)</u>	<u>-</u>	<u>(29,793)</u>
Total investment activity	<u>11,848</u>	<u>19,991</u>	<u>-</u>	<u>31,839</u>
Amount appropriated for expenditure	<u>-</u>	<u>(40,133)</u>	<u>-</u>	<u>(40,133)</u>
Endowment net assets, beginning of year	<u>507,654</u>	<u>31,421</u>	<u>1,103,915</u>	<u>1,642,990</u>
Endowment net assets, end of year	<u>\$ 519,502</u>	<u>\$ 11,279</u>	<u>\$ 1,103,915</u>	<u>\$ 1,634,696</u>

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 8 – NET ASSETS (Continued)

Changes in endowment net assets for year ended December 31, 2010:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowments</u>
Investment activity:				
Interest and dividends	\$ 15,458	\$ 40,133	\$ -	\$ 55,591
Unrealized (loss) gain on investments	<u>(1,935)</u>	<u>(25,783)</u>	<u>-</u>	<u>(27,718)</u>
Total investment activity	<u>13,523</u>	<u>14,350</u>	<u>-</u>	<u>27,873</u>
Amount appropriated for expenditure	<u>-</u>	<u>(36,732)</u>	<u>-</u>	<u>(36,732)</u>
Endowment net assets, beginning of year	<u>494,131</u>	<u>53,803</u>	<u>1,103,915</u>	<u>1,651,849</u>
Endowment net assets, end of year	<u>\$ 507,654</u>	<u>\$ 31,421</u>	<u>\$ 1,103,915</u>	<u>\$ 1,642,990</u>

For the years ended December 31, 2011 and 2010, endowment net assets of \$ 1,633,566 and \$1,642,990, respectively, are included with investments in the accompanying statements of financial position.

NOTE 9 – ALLOCATION OF JOINT COSTS

During the years ended December 31, 2011 and 2010, the Organization incurred joint costs of \$674,089 and \$436,553 (other than donated services), respectively, for informational materials and activities that were included in fundraising appeals. During the year ended December 31, 2011, \$170,198 was allocated to program expenses and \$503,891 was allocated to fundraising. During the year ended December 31, 2010, \$121,754 was allocated to program expenses and \$314,799 was allocated to fundraising.

NOTE 10 – CONCENTRATIONS

- A. Financial instruments that potentially subject the Organization to a concentration risk include cash and cash equivalents held with banks that were either not insured or in excess of FDIC insurance limits by approximately \$554,000 and \$840,000 as of December 31, 2011 and 2010, respectively. The basic limit on FDIC is \$250,000 for interest-bearing accounts, which was made permanent on July 10, 2010, and the coverage for noninterest-bearing accounts is unlimited until December 31, 2012.
- B. The Organization's bequests revenue for the year ended December 31, 2010 includes a gift of \$1.5 million from one donor, which represents approximately 13% of total public support and revenue for the year ended December 31, 2010.

NOTE 11 – COMMITMENTS

In January 2006, the Organization renewed its lease agreement with Central Parking Systems of New York, Inc. ("CPS") whereby CPS leased the parking garage from the Organization for a period of three years, for the purpose of operating the garage for profit. The parking garage rental revenue amounted to \$461,496 and \$448,056, respectively, for the years ended December 31, 2011 and 2010. In January 2009, the Organization extended the lease with CPS for five years through December 2013. Future lease payments are approximately \$475,000 for 2012 and \$490,000 for 2013.

In December 2011, the Organization entered into a 36 month operating lease agreement with Verizon Select Service Inc for new telephone equipment. The future minimum rental payments for the years ending after December 31, 2011 are approximately \$20,000 for 2012 and 2013, and \$18,000 for 2014.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 12 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuation are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Certain of the Organization's investments classified as alternative investments are recorded at fair value in accordance with Generally Accepted Accounting Principles, in an amount equal to the NAV of shares of units held by the Organization at year-end. Such investments are categorized as Level 3 fair value measurements in accordance with ASU No. 2009-12 (see Note 2). The financial statements of these alternative investments are prepared in accordance with GAAP and are audited annually by independent auditors. As of December 31, 2011, the Organization had no unfunded commitments to invest in these alternative funds. These alternative investments strategies include diversified portfolio allocations across a broad range of equity, debt, and limited partnership investments. Redemptions, at NAV, of shares in these investments range from quarterly to annually, generally with forty-five to ninety days' notice, and typically after the expiration of a defined lock-up period.

Financial assets and liabilities carried at fair value at December 31, 2011 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2011</u>
ASSETS CARRIED AT FAIR VALUE:				
Investments:				
Money market funds	\$ 83,749	\$ -	\$ -	\$ 83,749
Equity securities:				
U.S. large cap	1,996,277	-	-	1,996,277
U.S. mid/small cap	386,886	-	-	386,886
Non U.S. equities	1,378,975	-	-	1,378,975
Fixed income securities:				
Mutual funds	8,636,334	-	-	8,636,334
Corporate bonds	-	1,797,351	-	1,797,351
Government and agency bonds	-	144,173	-	144,173
International bonds	-	492,449	-	492,449
Mutual funds:				
Common stock	72,002	-	-	72,002
U.S. large cap	821,598	-	-	821,598
U.S. mid/small cap	4,473	-	-	4,473
Non U.S. equities	25,522	-	-	25,522
Cash Equivalents	75,332	-	-	75,332
Alternative investments	-	-	21,923,340	21,923,340
TOTAL ASSETS AT FAIR VALUE	<u>\$ 13,481,148</u>	<u>\$ 2,433,973</u>	<u>\$ 21,923,340</u>	<u>\$ 37,838,461</u>

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value at December 31, 2010 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2010</u>
ASSETS CARRIED AT FAIR VALUE:				
Investments:				
Money market funds	\$ 1,206,260	\$ -	\$ -	\$ 1,206,260
Equity securities:				
U.S. large cap	880,641	-	-	880,641
U.S. mid/small cap	1,212,311	-	-	1,212,311
Non U.S. equities	1,508,962	-	-	1,508,962
Fixed income securities:				
Mutual funds	3,409,756	-	-	3,409,756
Corporate bonds	-	5,410,947	-	5,410,947
Government and agency bonds	-	519,340	-	519,340
International bonds	-	426,992	-	426,992
Non U.S. global macro fund	-	197,594	-	197,594
Other	-	278,965	-	278,965
Mutual funds:				
Common stock	68,006	-	-	68,006
U.S. large cap	16,094	-	-	16,094
U.S. mid/small cap	5,505	-	-	5,505
Non U.S. equities	6,776	-	-	6,776
Fixed income securities	8,047	-	-	8,047
Cash	3,782	-	-	3,782
Alternative investments	-	-	22,667,146	22,667,146
TOTAL ASSETS AT FAIR VALUE	<u>\$ 8,326,140</u>	<u>\$ 6,833,838</u>	<u>\$ 22,667,146</u>	<u>\$ 37,827,124</u>

Investments in cash, cash equivalents, money market funds and equity securities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The net asset values of mutual funds are based on the quoted market-level prices of the underlying securities. Fixed income securities are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities etc). Alternative investments are designated as Level 3 as indicative of the investment manager's classification of the Organization's investment in the alternative investments. It is not meant to be indicative of the classification of the investments in the underlying portfolio of the alternative investments into the fair value hierarchy.

The reconciliation for the years ended December 31, 2011 and 2010 of the alternative investments measured at estimated fair value classified as Level 3 as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 22,667,146	\$ 14,316,530
Contributions	3,002,830	7,769,384
Redemptions	(3,025,676)	(1,050,000)
Realized/Unrealized (loss) gain	<u>(720,960)</u>	<u>1,631,232</u>
Balance at end of year	<u>\$ 21,923,340</u>	<u>\$ 22,667,146</u>