RONALD MCDONALD HOUSE OF NEW YORK, INC.

RONALD MCDONALD HOUSE NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2012 and 2011

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, 2012 AND 2011

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Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House of New York, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
April 16, 2013

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RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash (Notes 2B and 10)	$ 1,575,447	$ 1,574,044
Prepaid expenses and other receivables (Notes 2F and 4)	545,117	606,925
Contributions and pledges receivable, net (Notes 2F and 3)	1,339,955	1,036,118
Investments (Notes 2G, 2H, 4, 7 and 12)	44,305,782	40,253,998
Restricted funds (Notes 4, 6 and 12)	898,834	763,522
Property and equipment, net (Notes 2E, 2J, 5, and 6)	25,235,606	24,686,411
Deferred financing costs, net (Note 6)	47,659	64,347
TOTAL ASSETS	$ 73,948,400	$ 68,985,365
LIABILITIES		
Accounts payable and accrued expenses (Note 7)	$ 1,205,616	$ 1,139,270
Refundable advances (Note 2L)	108,300	176,637
Bonds payable (Note 6)	6,600,000	7,500,000
TOTAL LIABILITIES	7,913,916	8,815,907
COMMITMENTS (Note 11)		
NET ASSETS (Note 2C)		
Unrestricted:		
Undesignated	44,453,498	40,895,972
Net investment in property and equipment	18,683,265	17,250,758
Designated for future use (Note 8)	1,614,495	519,502
Total unrestricted	64,751,258	58,666,232
Temporarily restricted (Note 8)	179,311	399,311
Permanently restricted (Notes 4 and 8)	1,103,915	1,103,915
TOTAL NET ASSETS	66,034,484	60,169,458
TOTAL LIABILITIES AND NET ASSETS	$ 73,948,400	$ 68,985,365

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, 2012 AND 2011

	Year Ended December 31, 2012				Year Ended December 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
PUBLIC SUPPORT AND REVENUE:								
Public Support:								
Special events revenue	$ 8,597,910	$ -	$ -	$ 8,597,910	$ 7,866,210	$ -	$ -	$ 7,866,210
Less: cost of direct benefit to donors	(1,475,914)	-	-	(1,475,914)	(1,276,968)	-	-	(1,276,968)
Special events, net	7,121,996	-	-	7,121,996	6,589,242	-	-	6,589,242
Bequests (Note 2F and 10B)	139,188	-	-	139,188	303,758	-	-	303,758
Direct mail contributions	2,028,760	-	-	2,028,760	1,717,285	-	-	1,717,285
Contributions (Note 2J)	4,035,299	147,175	-	4,182,474	3,009,707	61,975	-	3,071,682
Total public support	13,325,243	147,175	-	13,472,418	11,619,992	61,975	-	11,681,967
Revenue:								
Room rental (Note 2F)	667,362	-	-	667,362	739,248	-	-	739,248
Investment income (loss) (Note 4)	3,860,920	-	-	3,860,920	(763,193)	-	-	(763,193)
Parking garage rental, net of costs of $348,787 in 2012 and $331,670 in 2011 (Notes 5 and 11)	126,545	-	-	126,545	129,826	-	-	129,826
Other	24,250	-	-	24,250	31,500	-	-	31,500
Total revenue	4,679,077	-	-	4,679,077	137,381	-	-	137,381
Net assets released from restrictions (Note 8)	367,175	(367,175)	-	-	181,673	(181,673)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	18,371,495	(220,000)	-	18,151,495	11,939,046	(119,698)	-	11,819,348
EXPENSES:								
Program Services								
Room rental	6,143,377	-	-	6,143,377	6,138,215	-	-	6,138,215
Camp Ronald McDonald	107,416	-	-	107,416	96,370	-	-	96,370
Volunteer activities	545,082	-	-	545,082	463,929	-	-	463,929
Education and support	786,631	-	-	786,631	521,369	-	-	521,369
Hospital Outreach	175,335	-	-	175,335	-	-	-	-
Total supporting services	7,757,842	-	-	7,757,842	7,219,883	-	-	7,219,883
Supporting Services:								
Management and general	1,281,976	-	-	1,281,976	1,487,621	-	-	1,487,621
Fundraising	3,246,651	-	-	3,246,651	3,006,069	-	-	3,006,069
Total supporting services	4,528,627	-	-	4,528,627	4,493,690	-	-	4,493,690
TOTAL EXPENSES	12,286,469	-	-	12,286,469	11,713,573	-	-	11,713,573
CHANGE IN NET ASSETS BEFORE WRITE-OFF OF ASSETS	6,085,026	(220,000)	-	5,865,026	225,473	(119,698)	-	105,775
Write-off of assets (Note 5)	-	-	-	-	(16,203)	-	-	(16,203)
CHANGE IN NET ASSETS	6,085,026	(220,000)	-	5,865,026	209,270	(119,698)	-	89,572
Net assets - beginning of year	58,666,232	399,311	1,103,915	60,169,458	58,456,962	519,009	1,103,915	60,079,886
NET ASSETS - END OF YEAR	$ 64,751,258	$ 179,311	$ 1,103,915	$ 66,034,484	$ 58,666,232	$ 399,311	$ 1,103,915	$ 60,169,458

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, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

For the Year Ended December 31, 2012

	Program Services						Supporting Services				
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Hospital Outreach	Total Program	Management and General	Fundraising	Parking Garage	Total 2012	Total 2011
Salaries	$ 1,716,908	$ 53,387	$ 207,750	$ 158,346	$ 49,741	$ 2,186,132	$ 692,512	$ 834,196	$ -	$ 3,712,840	$ 3,389,281
Payroll taxes and employee benefits (Note 7)	612,171	17,037	72,714	57,005	7,330	766,257	245,830	295,519	-	1,307,606	1,244,761
Total Salaries and Related Costs	2,329,079	70,424	280,464	215,351	57,071	2,952,389	938,342	1,129,715	-	5,020,446	4,634,042
Occupancy	260,921	-	-	-	-	260,921	1,311	-	-	262,232	279,693
Consulting fees	15,218	-	-	-	-	15,218	4,882	5,869	-	25,969	241,343
Repairs and maintenance (Note 2J)	302,539	-	-	-	-	302,539	1,520	-	-	304,059	200,593
Supplies (Note 2J)	219,552	-	-	2,722	-	222,274	33,377	12,455	-	268,106	309,776
Family activity expenses:						-					
Program entertainment and enrichment (Note 2J)	388,740	18,355	5,256	162,986	12,100	587,437	-	-	-	587,437	526,881
Trips, outings and parties	-	18,637	191,389	2,653	1,819	214,498	-	-	-	214,498	180,694
Education and counseling	-	-	-	42,806	220	43,026	-	-	-	43,026	61,418
Transportation and other	24,475	-	-	12,579	15,216	52,270	-	-	-	52,270	40,127
Volunteer and staff recognition	38,626	-	58,630	-	-	97,256	35,491	38,404	-	171,151	152,119
Staff development	21,119	-	1,100	-	286	22,505	5,741	4,783	-	33,029	55,936
Fundraising support activities (Note 2J)	-	-	-	-	-	-	-	137,686	-	137,686	146,383
Special events expense	-	-	-	-	-	-	-	2,190,050	-	2,190,050	2,045,285
Printing and publications	63,998	-	1,103	-	3,445	68,546	13,089	29,048	-	110,683	113,997
Professional fees (Note 2J)	64,765	-	-	-	77,735	142,500	155,746	4,006	390	302,642	196,764
Telephone	88,133	-	-	-	1,235	89,368	18,548	38,781	-	146,697	113,399
Insurance	81,780	-	-	-	-	81,780	411	-	25,312	107,503	92,365
Postage, messenger and other	20,322	-	89	-	27	20,438	6,557	9,048	-	36,043	37,024
Direct mail campaign expenses:						-					
Printing, postage and mailing services (Note 9)	-	-	-	347,534	-	347,534	-	879,807	-	1,227,341	937,177
Consulting fees and list purchases	-	-	-	-	-	-	-	49,216	-	49,216	93,687
Artwork and other	-	-	-	-	-	-	-	27,663	-	27,663	8,863
Real estate taxes	-	-	-	-	-	-	-	-	142,940	142,940	128,969
Travel	12,666	-	980	-	5,978	19,624	21,238	11,122	-	51,984	40,894
Miscellaneous	100,927	-	6,071	-	203	107,201	2,195	149,048	145	258,589	244,095
Bad debt	-	-	-	-	-	-	24,200	-	-	24,200	55,249
Depreciation	2,037,379	-	-	-	-	2,037,379	18,960	5,864	180,000	2,242,203	2,307,205
Interest expense (Note 6)	56,534	-	-	-	-	56,534	284	-	-	56,818	59,391
Amortization of deferred financing costs (Note 6)	16,604	-	-	-	-	16,604	84	-	-	16,688	18,842
Subtotal	6,143,377	107,416	545,082	786,631	175,335	7,757,842	1,281,976	4,722,565	348,787	14,111,170	13,322,211
Less: cost of operations of parking garage	-	-	-	-	-	-	-	-	(348,787)	(348,787)	(331,670)
Less: cost of direct benefit to donor	-	-	-	-	-	-	-	(1,475,914)	-	(1,475,914)	(1,276,968)
TOTAL EXPENSES	$ 6,143,377	$ 107,416	$ 545,082	$ 786,631	$ 175,335	$ 7,757,842	$ 1,281,976	$ 3,246,651	$ -	$ 12,286,469	$ 11,713,573

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, 2011

For the Year Ended December 31, 2011

	Program Services					Supporting Services			
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Total Program	Management and General	Fundraising	Parking Garage	Total 2011
Salaries	$ 1,676,741	$ 50,909	$ 171,297	$ 128,119	$ 2,027,066	$ 639,835	$ 722,380	$ -	$ 3,389,281
Payroll taxes and employee benefits (Note 7)	618,889	15,198	61,667	46,123	741,877	236,505	266,379	-	1,244,761
Total Salaries and Related Costs	2,295,630	66,107	232,964	174,242	2,768,943	876,340	988,759	-	4,634,042
Occupancy	278,295	-	-	-	278,295	1,398	-	-	279,693
Consulting fees	21,656	-	-	-	21,656	219,687	-	-	241,343
Repairs and maintenance (Note 2J)	199,590	-	-	-	199,590	1,003	-	-	200,593
Supplies (Note 2J)	236,417	-	-	2,722	239,139	51,911	18,726	-	309,776
Family activity expenses:					-				
Program entertainment and enrichment (Note 2J)	407,909	16,464	1,784	100,724	526,881	-	-	-	526,881
Trips, outings and parties	-	13,799	166,895	-	180,694	-	-	-	180,694
Education and counseling		-	-	61,418	61,418	-	-	-	61,418
Transportation and other	28,062	-	-	12,065	40,127	-	-	-	40,127
Volunteer and staff recognition	51,504	-	62,286	-	113,790	19,402	18,927	-	152,119
Staff development	37,523	-	-	-	37,523	9,099	9,314	-	55,936
Fundraising support activities (Note 2J)	-	-	-	-	-	-	146,383	-	146,383
Special events expense	-	-	-	-	-	-	2,045,285	-	2,045,285
Printing and publications	78,894	-	-	-	78,894	10,862	24,241	-	113,997
Professional fees (Note 2J)	48,914	-	-	-	48,914	147,460	-	390	196,764
Telephone	66,572	-	-	-	66,572	18,676	28,151	-	113,399
Insurance	69,848	-	-	-	69,848	351	-	22,166	92,365
Postage, messenger and other	21,813	-	-	-	21,813	6,954	8,257	-	37,024
Direct mail campaign expenses:									
Printing, postage and mailing services (Note 9)	-	-	-	170,198	170,198	-	766,979	-	937,177
Consulting fees and list purchases	-	-	-	-	-	-	93,687	-	93,687
Artwork and other	-	-	-	-	-	-	8,863	-	8,863
Real estate taxes	-	-	-	-	-	-	-	128,969	128,969
Travel	11,737	-	-	-	11,737	18,839	10,318	-	40,894
Miscellaneous	103,803	-	-	-	103,803	30,803	109,344	145	244,095
Bad debt	-	-	-	-	-	55,249	-	-	55,249
Depreciation	2,102,206	-	-	-	2,102,206	19,196	5,803	180,000	2,307,205
Interest expense (Note 6)	59,094	-	-	-	59,094	297	-	-	59,391
Amortization of deferred financing costs (Note 6)	18,748	-	-	-	18,748	94	-	-	18,842
Subtotal	6,138,215	96,370	463,929	521,369	7,219,883	1,487,621	4,283,037	331,670	13,322,211
Less: cost of operations of parking garage	-	-	-	-	-	-	-	(331,670)	(331,670)
Less: cost of direct benefit to donor	-	-	-	-	-	-	(1,276,968)	-	(1,276,968)
TOTAL EXPENSES	$ 6,138,215	$ 96,370	$ 463,929	$ 521,369	$ 7,219,883	$ 1,487,621	$ 3,006,069	$ -	$ 11,713,573

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, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 5,865,026	$ 89,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,242,203	2,307,205
Bad debt	24,200	55,249
Amortization of deferred financing costs	16,688	18,842
Contributed property and equipment	(178,753)	(309,347)
Unrealized (gain)/loss on investments	(3,038,544)	1,353,029
Realized gain on investment sales	(252,389)	(86,165)
Loss on disposal of property and equipment	-	16,203
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses and other receivables	61,808	(56,703)
Contributions and pledges receivable	(328,037)	301,208
Increase in liabilities:		
Accounts payable and accrued expenses	66,346	145,620
Refundable advances	(68,337)	27,137
Net Cash Provided by Operating Activities	4,410,211	3,861,850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,612,645)	(1,562,026)
Proceeds from investment sales	13,856,933	34,136,091
Purchases of investments	(14,753,096)	(36,192,084)
Net Cash Used in Investing Activities	(3,508,808)	(3,618,019)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of bond payable	(900,000)	(900,000)
Net Cash Used in Financing Activities	(900,000)	(900,000)
NET INCREASE (DECREASE) IN CASH	1,403	(656,169)
Cash - beginning of year	1,574,044	2,230,213
CASH - END OF YEAR	$ 1,575,447	$ 1,574,044
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 12,600	$ 16,000
Noncash Investing Activities		
Contributed property and equipment	$ 178,753	$ 309,347

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

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 13 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 35 year history. Since 1978, the Organization has provided 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, art & science, Camp Ronald McDonald, self-defense and stress relief, daily playroom and evening activities. In 2012, the Organization embarked on a Hospital Outreach Initiative to provide services not only for our guests but also for local families, not staying at the Organization. As a New York City Charity which provides services for families from around the United States and various parts of the globe, the Organization has always been challenged with the proper vehicle to develop and expand our services to the residents of the five boroughs of New York. This three-pronged initiative includes Hospital Outreach programs for New York City children who are not residents of the Organization yet need support while undergoing treatment, Inpatient Services for our children and families when they are admitted to a partner hospital and Navigation Services to help first-time families become acclimated to their environment in New York City while supporting their child's health care experiences. The project is currently in the pilot phase with a small group of our partner hospitals. The Outreach Program is the first step in developing a long-term growth strategy for the Organization. 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 lab. 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 designated for future use and funds expended for property, and equipment and related expenditures.

  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 designated for future use. In 2012 the Board designated approximately three years of funding for the new Hospital Outreach Program (the "Program") and allocated an additional $1,178,000 for the Program. As funds are expended the corresponding amount is transferred to undesignated net assets.

- 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, 2012 and 2011, 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, 2012 and 2011, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2012 and 2011, the Organization recorded contributed goods and services amounting to $792,850 and $885,753, 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, 2012 and 2011, a member of the Organization's Board of Directors was the CEO of a public relations firm that donated approximately $113,000 and $125,000 of services to the Organization, which is shown below as contributed program entertainment and enrichment and professional fees. During 2012 and 2011, in-kind contributions included the following:

	2012	2011
Capitalized property and equipment	$ 178,753	$ 309,347
Contributed program entertainment and enrichment	412,601	351,161
Contributed professional fees	28,210	31,166
Contributed supplies	38,604	87,100
Contributed repairs and maintenance	48,765	13,486
Contributed recognition items	1,287	
Contributed fundraising support activities	84,630	93,493
Total in-kind contributions	$ 792,850	$ 885,753

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 $595,000 and $495,000, respectively, for the years ended December 31, 2012 and 2011.

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. The Organization had no uncertain tax positions as of December 31, 2012 and 2011 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, 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Certain line items in the December 31, 2011 financial statements have been reclassified to conform to the December 31, 2012 presentation.

NOTE 3 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable consist of the following as of December 31, 2012 and 2011:

	2012	2011
Due in less than a year	$ 1,389,955	$ 1,036,118
Between one and five years	50,000	100,000
	1,439,955	1,136,118
Less: Allowance for uncollectible accounts	(100,000)	(100,000)
	$ 1,339,955	$ 1,036,118

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31, 2012 and 2011:

		2012	2011	
Unrestricted:				
Cash		$ 1,249,758	$ 2,516,033	
Money market funds		131,122	227,922	
Equity securities:				
U.S. large cap		1,909,100	1,996,277	
U.S. mid/small cap		805,566	386,886	
Non U.S. equities		2,247,221	1,378,975	
Fixed income securities:				
Mutual funds		11,294,526	8,624,586	
Corporate bonds		277,375	1,797,351	
International bonds		435,761	491,699	
Mutual funds:				
U.S. large cap		767,531	811,575	
Non U.S. equities		42,781	24,022	
Cash		50,955	75,332	
	Subtotal	19,211,696	18,330,658	
Alternative investments:				
Hedge funds		$ 4,822,222	$ 4,448,422	
Limited partnerships		19,084,768	17,307,160	A
Other investments		1,187,096	167,758	B
	Subtotal	25,094,086	21,923,340	C
Total Unrestricted		44,305,782	40,253,998	
Restricted:				
Cash		729,373	663,026	
Mutual Funds		169,461	100,496	
	Total	$ 45,204,616	$ 41,017,520	

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. Other 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 and investments in hard assets such as gold. Gains on structured investments 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 of December 31, 2012 and 2011, $729,373 and $663,026, respectively, were restricted for bond repayment. As of December 31, 2012 and 2011, $169,461 and $100,496, respectively, were restricted for pension and deferred compensation plans. In addition, $1,103,915 was restricted for endowment as of December 31, 2012 and 2011.

Interest receivable of $32,503 and $46,089 as of December 31, 2012 and 2011 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, 2012 and 2011

	2012	2011
Interest and dividends	$ 569,987	$ 503,671
Unrealized gain/(loss) on investments	3,038,544	(1,353,029)
Realized gain on investment sales	252,389	86,165
	$ 3,860,920	$ (763,193)

The Organization incurred investment expenses of $62,298 and $71,925 during the years ended December 31, 2012 and 2011, 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, 2012 and 2011:

	2012	2011	Estimated Useful Lives
Land	$ 9,600,607	$ 9,600,607	
Building	25,983,954	25,983,954	5-30 years
Vehicle	127,161	174,101	3 years
Furniture, fixtures and equipment	10,346,984	7,783,332	3-10 years
Construction in progress	480,236	330,900	
Total cost	46,538,942	43,872,894	
Less: Accumulated depreciation	(21,303,336)	(19,186,483)	
Net book value	$ 25,235,606	$ 24,686,411	

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Construction in progress represents certain improvements to the Organization that had not been completed as of December 31, 2012.

Depreciation expense amounted to $2,242,203 and $2,307,205 for the years ended December 31, 2012 and 2011, respectively.

During the year ended December 31, 2012, the Organization traded in three fully depreciated vehicles with an original cost of $125,350. No gain or loss was recognized from the disposal.

During the year ended December 31, 2011, 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. The resulting loss on disposal of property and equipment of $16,203 is included in other revenue in the accompanying statement of activities.

NOTE 6 – BONDS PAYABLE

Bonds payable amounted to $6,600,000 and $7,500,000 as of December 31, 2012 and 2011, 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, 2012 and 2011, the interest rate on the bonds was 0.17% and 0.1% 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 with one bank. 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, 2012 and 2011, activity related to bond principal consisted of the following:

	2012	2011
Bonds payable, at the beginning of the year	$ 7,500,000	$ 8,400,000
Sinking fund payment for the year	(900,000)	(900,000)
Bonds payable, at the end of the year	$ 6,600,000	$ 7,500,000

Sinking fund requirements for the principal portion of the bonds payable for the years ended after December 31, 2012 are as follows:

2013	1,000,000
2014	1,000,000
2015	1,100,000
2016	1,100,000
2017	1,200,000
Thereafter	1,200,000
	$ 6,600,000

NOTE 6 – BONDS PAYABLE (Continued)

The Organization remits monthly payments of approximately $83,333 to a trustee towards the next annual installment of $1,000,000 due on May 1, 2013. As of December 31, 2012 and 2011, the debt sinking fund deposit with the Bond Trustee amounted to $729,373 and $663,026, 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 $73,506 and $78,233 for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, deferred financing costs consist of the following:

	2012	2011
Deferred financing costs	$ 615,760	$ 615,760
Less: Accumulated amortization	(568,101)	(551,413)
Deferred financing costs	$ 47,659	$ 64,347

The estimated annual amortization expense for the five years following December 31, 2012 is:

2013	$ 14,347
2014	12,007
2015	9,421
2016	6,835
2017	4,002
Thereafter	1,047

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, 2012 and 2011 for the 401(k) Plans was approximately $277,000 and $261,000, 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 $78,625 and $70,502 at December 31, 2012 and 2011, respectively, are included in restricted funds 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 $90,836 and $29,994 as of December 31, 2012 and 2011, respectively, and are included in restricted funds 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, 2012 and 2011:

	2012	2011
Purpose restricted	$ 79,311	$ 69,311
Time restricted	100,000	330,000
	$ 179,311	$ 399,311

For the years ended December 31, 2012 and 2011, temporarily restricted net assets in the amount of $367,175 and $181,673, 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, 2012 and 2011 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, 2012 and 2011) 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, 2012:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total Endowments
Investment activity:				
Interest and dividends	$ 38,481	$ 16,117	$ -	$ 54,598
Unrealized (loss)gain on investments	20,608	16,965	-	37,573
Total investment activity	59,089	33,082	-	92,171
Amount additionally designated	1,178,000	-	-	1,178,000
Amount appropriated for expenditure	(142,096)	(40,920)	-	(183,016)
Endowment net assets, beginning of year	519,502	11,279	1,103,915	1,634,696
Endowment net assets, end of year	$ 1,614,495	$ 3,441	$ 1,103,915	$ 2,721,851

NOTE 8 – NET ASSETS (Continued)

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

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

For the years ended December 31, 2012 and 2011, endowment net assets of $ 2,721,851 and $1,633,566, respectively, are included with investments in the accompanying statements of financial position.

NOTE 9 – ALLOCATION OF JOINT COSTS

During the years ended December 31, 2012 and 2011, the Organization incurred joint costs of $944,357 and $674,089 (other than donated services), respectively, for informational materials and activities that were included in fundraising appeals. During the year ended December 31, 2012, $347,534 was allocated to program expenses and $596,823 was allocated to fundraising. During the year ended December 31, 2011, $170,198 was allocated to program expenses and $503,891 was allocated to fundraising.

NOTE 10 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to $250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts are fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of December 31, 2012 and 2011, there were no uninsured cash balances. Securities Investor Protection Corporation ("SIPC") insurance limits are up to $500,000. As of December 31, 2012 and 2011, there was approximately $254,000 and $54,000, respectively, of cash and cash equivalents held by banks that exceeded the amount covered by the ("SIPC") limits.

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 $475,332 and $461,496, respectively, for the years ended December 31, 2012 and 2011. 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 lease payments did not begin until July 2012. The future minimum rental payments for the years ending after December 31, 2012 are approximately $20,000 for 2013, $20,000 for 2014 and $10,000 for 2015.

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 valuations 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.

The Organization's policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. At the beginning of the year ended December 31, 2012, all level 3 investments were transferred to level 2. For the year ended December 31, 2011, no such transfers between fair value levels occurred.

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 2 fair value measurements in accordance with ASU No. 2009-12 as of December 31, 2012 and Level 3 as of December 31, 2011. The financial statements of these alternative investments are prepared in accordance with GAAP and are audited annually by independent auditors. As of December 31, 2012, the Organization had no unfunded commitments to invest in these alternative funds. Redemptions, at NAV, of shares in investments in limited partnerships range from immediate to annually, generally with forty-five to ninety days' notice, and typically after the expiration of a defined lock-up period. Redemptions, at NAV, of shares in investments in hedge funds range from monthly to quarterly, generally with none to ninety-five days' notice, and typically after the expiration of a defined lock-up period.

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value at December 31, 2012 are classified in the table as follows:

	Level 1	Level 2	Level 3	Total 2012
ASSETS CARRIED AT FAIR VALUE:				
Investments:				
Money market funds	$ 131,122	$ -	$ -	$ 131,122
Equity securities:				
U.S. large cap	1,909,100	-	-	1,909,100
U.S. mid/small cap	805,566	-	-	805,566
Non U.S. equities	2,247,221	-	-	2,247,221
Fixed income securities:				
Mutual funds	11,294,526	-	-	11,294,526
Corporate bonds	277,375	-	-	277,375
International bonds	435,761	-	-	435,761
Mutual funds:				
U.S. large cap	767,531	-	-	767,531
Non U.S. equities	42,781	-	-	42,781
Cash Equivalents	50,955	-	-	50,955
Alternative investments:				
Hedge Funds	-	4,822,222	-	4,822,222
Limited Partnerships	-	19,084,768	-	19,084,768
Other Investments	-	1,187,096	-	1,187,096
TOTAL ASSETS AT FAIR VALUE	$ 17,961,938	$ 25,094,086	$ -	$ 43,056,024

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

	Level 1	Level 2	Level 3	Total 2011
ASSETS CARRIED AT FAIR VALUE:				
Investments:				
Money market funds	$ 227,922	$ -	$ -	$ 227,922
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	8,624,586	-	-	8,624,586
Corporate bonds	-	1,797,351	-	1,797,351
International bonds	-	491,699	-	491,699
Mutual funds:				
U.S. large cap	811,575	-	-	811,575
Non U.S. equities	24,022	-	-	24,022
Cash Equivalents	75,332	-	-	75,332
Alternative investments:				
Hedge Funds	-	172,986	4,275,436	4,448,422
Limited Partnerships	-	-	17,307,160	17,307,160
Other Investments	-	-	167,758	167,758
TOTAL ASSETS AT FAIR VALUE	$ 13,525,575	$ 2,289,050	$ 21,923,340	$ 37,737,965

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

A. Investments in money market funds, equity securities and mutual funds 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 consisting of corporate and international bonds 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 2 or 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, 2012 and 2011 of the alternative investments measured at estimated fair value classified as Level 3 as follows:

	2012	2011
Balance at beginning of year	$ 21,923,340	$ 22,667,146
Contributions	-	3,002,830
Redemptions	-	(3,025,676)
Unrealized loss	-	(720,422)
Realized loss	-	(538)
Transfer	(21,923,340)	-
Balance at end of year	$ -	$ 21,923,340

Realized and unrealized gains and losses for the years ended December 31, 2012 and 2011 are included in investment income on the accompanying statements of activities.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 16, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2012 through April 16, 2013, that would require adjustment to or disclosure in the accompanying financial statements.