RONALD MCDONALD HOUSE OF NEW YORK, INC.



Financial Statements (Together with Independent Auditors' Report)

Years Ended December 31, 2013 and 2012



RONALD MCDONALD HOUSE OF NEW YORK, INC.

FINANCIAL STATEMENTS (Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2013 AND 2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-18

Marks Paneth LLP 685 Third Avenue New York, NY 10017 P 212.503.8800 F 212.370.3759 www.markspaneth.com Manhattan Long Island Westchester Cayman Islands



INDEPENDENT AUDITORS' REPORT

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

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, 2013 and 2012, 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, 2013 and 2012, 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.

New York, NY April 16, 2014



Marks Paneth LLP

RONALD MCDONALD HOUSE OF NEW YORK, INC. STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND 2012

		2013		2012
ASSETS				
Cash and cash equivalents (Notes 2B and 10)	\$	2,909,649	\$	1,575,447
Prepaid expenses and other receivables (Notes 2F and 4)		725,201		545,117
Contributions and pledges receivable, net (Notes 2F and 3)		1,503,435		1,339,955
Investments (Notes 2G, 2H, 4 and 12)		50,283,214		44,305,782
Restricted funds (Notes 4, 6, 7 and 12)		1,016,557		898,834
Property and equipment, net (Notes 2E, 2J, 5, and 6)		27,069,325		25,235,606
Deferred financing costs, net (Note 6)		33,313		47,659
TOTAL ASSETS	\$	83,540,694	\$	73,948,400
LIABILITIES	•		•	
Accounts payable and accrued expenses (Note 7)	\$	2,424,380	\$	1,205,616
Refundable advances (Note 2L)		116,165		108,300
Bonds payable (Note 6)		5,600,000		6,600,000
TOTAL LIABILITIES		8,140,545		7,913,916
COMMITMENTS AND CONTINGENCIES (Note 11)				
NET ASSETS (Note 2C)				
Unrestricted:				
Available for operations		50,928,237		44,453,498
Net investment in property and equipment		21,502,638		18,683,265
Designated for future use (Note 8)		1,388,154		1,614,495
Total unrestricted		73,819,029		64,751,258
Temporarily restricted (Note 8)		477,205		179,311
Permanently restricted (Notes 4 and 8)		1,103,915		1,103,915
TOTAL NET ASSETS		75,400,149		66,034,484
TOTAL LIABILITIES AND NET ASSETS	\$	83,540,694	\$	73,948,400

RONALD MCDONALD HOUSE OF NEW YORK, INC. STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
PUBLIC SUPPORT AND REVENUE:								
Public Support:								
Special events revenue Less: cost of direct benefit to donors	\$ 11,118,697 (1,644,445)	\$ - 	\$ - -	\$ 11,118,697 (1,644,445)	\$ 8,597,910 (1,475,914)	\$ - 	\$ - -	\$ 8,597,910 (1,475,914)
Special event, net	9,474,252	-	-	9,474,252	7,121,996	-	-	7,121,996
Bequests (Note 2F)	726,453	-	-	726,453	139,188	-	-	139,188
Direct mail contributions	2,228,686	-	-	2,228,686	2,028,760	-	-	2,028,760
Contributions (Note 2J)	3,843,585	366,855		4,210,440	4,035,299	147,175		4,182,474
Total public support	16,272,976	366,855	<u> </u>	16,639,831	13,325,243	147,175	<u> </u>	13,472,418
Revenue:								
Room rental (Note 2F)	700,760	-	-	700,760	667,362	-	-	667,362
Investment income (loss) (Note 4)	5,607,296	-	-	5,607,296	3,860,920	-	-	3,860,920
Parking garage rental, net of costs of \$377,604 in 2013								
and \$348,787 in 2012 (Notes 5 and 11)	121,157	-	-	121,157	126,545	-	-	126,545
Other	20,942			20,942	24,250			24,250
Total revenue	6,450,155			6,450,155	4,679,077			4,679,077
Net assets released from restrictions (Note 8)	68,961	(68,961)			367,175	(367,175)		
TOTAL PUBLIC SUPPORT AND REVENUE	22,792,092	297,894		23,089,986	18,371,495	(220,000)		18,151,495
EXPENSES:								
Program Services								
Room Rental	7,031,115	-	_	7,031,115	6,143,377	-	-	6,143,377
Camp Ronald McDonald	87,414	-	_	87,414	107,416	-	-	107,416
Volunteer Activities	541,581	-	_	541,581	545,082	-	-	545,082
Education & Support	707,313	_	_	707,313	786,631	_	_	786,631
Hospital Outreach	336,109	-	_	336,109	175,335	-	-	175,335
Total program services	8,703,532		-	8,703,532	7,757,841			7,757,841
Supporting Services:	4 007 500			4 007 500	4 004 077			4 004 077
Management and general	1,387,586	-	-	1,387,586	1,281,977	-	-	1,281,977
Fundraising	3,633,203			3,633,203	3,246,651			3,246,651
Total supporting services	5,020,789			5,020,789	4,528,628			4,528,628
TOTAL EXPENSES	13,724,321			13,724,321	12,286,469			12,286,469
CHANGE IN NET ASSETS	9,067,771	297,894	-	9,365,665	6,085,026	(220,000)	-	5,865,026
Net assets - beginning of year	64,751,258	179,311	1,103,915	66,034,484	58,666,232	399,311	1,103,915	60,169,458
NET ASSETS - END OF YEAR	\$ 73,819,029	\$ 477,205	\$ 1,103,915	\$ 75,400,149	\$ 64,751,258	\$ 179,311	\$ 1,103,915	\$ 66,034,484

RONALD MCDONALD HOUSE OF NEW YORK, INC. STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012)

For the Year Ended December 31, 2013

	Program Services				Supportin	g Services					
	Room	Camp Ronald	Volunteer	Education &	Hospit		Management		Parking	Total	Total
	Rental	McDonald	Activities	Support	Outread	ch Services	and General	Fundraising	Garage	2013	2012
Salaries	\$ 1,829,446	\$ 53,484	\$ 210,593	\$ 170,164	\$ 87,43	5 \$ 2,351,122	\$ 770,284	\$ 884,786	\$ -	\$ 4,006,192	\$ 3,712,840
Payroll taxes and employee benefits (Note 7)	629,294	18,365	70,557	57,856	18,33		262,582	302,132	Ψ - -	1,359,118	1,307,606
r ayron taxoo and omployee perionic (troto r)	020,201	10,000	. 0,001	0.,000	,		202,002	002,102		1,000,110	.,007,000
Total Salaries and Related Costs	2,458,740	71,849	281,150	228,020	105,76	7 3,145,526	1,032,866	1,186,918	-	5,365,310	5,020,446
Occupancy	279,693	-	-	-	-	279,693	1,405	-	-	281,098	262,232
Consulting fees	98,276	-	-	-	-	98,276	32,015	36,836	-	167,127	25,969
Repairs and maintenance (Note 2J)	425,929	-	-	-	-	425,929	2,140	-	-	428,069	304,059
Supplies (Note 2J)	238,976	44	3,821	2,100	1,67	1 246,612	44,086	13,463	-	304,161	268,106
Family activity expenses:											
Program entertainment and enrichment (Note 2J)	273,598	2,275	17,343	120,363	55,84		-	-	-	469,428	587,437
Trips, outings and parties	-	13,246	155,014		29,20		-	-	-	197,466	214,498
Education and counseling		-	-	49,263	93		-	-	-	50,198	43,026
Transportation and other	25,787	-		8,043	52,70				-	86,539	52,270
Volunteer and staff recognition	65,750	-	63,999	-		129,749	31,798	27,163	-	188,710	171,151
Staff development	44,320	-	5,862	-	2,12	9 52,311	13,544	10,288	-	76,143	33,029
Fundraising support activities (Note 2J)	-	-	-	-	-	-	-	166,972	-	166,972	137,686
Special events expense	-	-	-	-	-	-	-	2,254,908	-	2,254,908	2,190,050
Printing and publications	65,436	-	2,487	-	2,13		8,024	23,546	-	101,623	110,683
Professional fees (Note 2J)	62,510	-	-	-	68,98		145,067	27,526	5,890	309,982	302,642
Telephone	94,745	-	774	-	6,12		20,515	42,871	-	165,028	146,697
Insurance	81,363	-	-	-	-	81,363	409	-	14,708	96,480	107,503
Postage, messenger and other	15,300	-	541	-	14	7 15,988	5,285	7,143	29	28,445	36,043
Direct mail campaign expenses:						-					
Printing, postage and mailing services (Note 9)	-	-	-	299,524	-	299,524	-	998,671	-	1,298,195	1,227,341
Consulting fees and list purchases	-	-	-	-	-	-	-	67,591	-	67,591	49,216
Artwork and other	-	-	-	-	-	-	-	17,260	-	17,260	27,663
Real estate taxes	-	-	-	-	-	-	-	-	176,632	176,632	142,940
Travel	11,996	-	2,027	-	4,28		20,961	11,982	-	51,248	51,984
Miscellaneous	138,252	-	8,563	-	6,17	2 152,987	3,542	181,033	345	337,907	258,590
Bad debt	-	-	-	-	-	-	-	195,000	-	195,000	24,200
Depreciation	2,590,701	-	-	-	-	2,590,701	25,629	8,477	180,000	2,804,807	2,242,203
Interest expense and related fees (Note 6)	45,469	-	-	-	-	45,469	228	-	-	45,697	56,818
Amortization of deferred financing costs (Note 6)	14,274					14,274	72			14,346	16,688
Subtotal	7,031,115	87,414	541,581	707,313	336,10	9 8,703,532	1,387,586	5,277,648	377,604	15,746,370	14,111,170
Less: cost of operations of parking garage	-	-	-	-	-	-	-	-	(377,604)	(377,604)	(348,787)
Less: cost of direct benefit to donor						<u> </u>		(1,644,445)		(1,644,445)	(1,475,914)
TOTAL EXPENSES	\$ 7,031,115	\$ 87,414	\$ 541,581	\$ 707,313	\$ 336,10	9 \$ 8,703,532	\$ 1,387,586	\$ 3,633,203	<u> </u>	\$ 13,724,321	\$ 12,286,469

RONALD MCDONALD HOUSE OF NEW YORK, INC. STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2012

For the Year Ended December 31, 2012

	Program Services				Supportin	g Services				
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Hospital Outreach	Total Program Services	Management and General	Fundraising	Parking Garage	Total 2012
Salaries	\$ 1,716,908	\$ 53,387	\$ 207,750	\$ 158,346	\$ 49,741	\$ 2,186,132	¢ 000.540	\$ 834,196	œ.	\$ 3,712,840
Payroll taxes and employee benefits (Note 7)	612,171	\$ 53,387 17,037	\$ 207,750 <u>72,714</u>	57,005	7,330	766,257	\$ 692,512 245,830	295,519	\$ - 	1,307,606
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
Occupancy	260,921	-	-	-	-	260,921	1,311	-	-	262,232
Consulting fees	15,218	-	-	-	-	15,218	4,882	5,869	-	25,969
Repairs and maintenance (Note 2J)	302,539	-	-	-	-	302,539	1,520	-	-	304,059
Supplies (Note 2J)	219,552	-	-	2,722	-	222,274	33,377	12,455	-	268,106
Family activity expenses:						-				
Program entertainment and enrichment (Note 2J)	388,740	18,355	5,256	162,986	12,100	587,437	-	-	-	587,437
Trips, outings and parties	· -	18,637	191,389	2,653	1,819	214,498	-	-	-	214,498
Education and counseling	-	-	· -	42,806	220	43,026	-	_	-	43,026
Transportation and other	24,475	-	_	12,579	15,216	52,270	-	_	-	52,270
Volunteer and staff recognition	38,626	-	58,630	· -	· -	97,256	35,491	38,404	-	171,151
Staff development	21,119	-	1,100	-	286	22,505	5,741	4,783	-	33,029
Fundraising support activities (Note 2J)	-	-	-	-	-	-	-	137,686	-	137,686
Special events expense	_	_	-	-	_	-	-	2,190,050	-	2,190,050
Printing and publications	63,998	-	1,103	-	3,445	68,546	13,089	29,048	-	110,683
Professional fees (Note 2J)	64,765	_	-	-	77,735	142,500	155,746	4,006	390	302,642
Telephone	88,133	-	_	-	1,235	89,368	18,548	38,781	-	146,697
Insurance	81,780	-	_	_	-	81,780	411	-	25,312	107,503
Postage, messenger and other	20,322	-	89	_	27	20,438	6,557	9,048	,	36,043
Direct mail campaign expenses:	,		-			,	-,	-,		,
Printing, postage and mailing services (Note 9)	_	_	_	347,534	_	347,534	_	879,807	_	1,227,341
Consulting fees and list purchases	_	-	_	,	_	-	-	49,216	-	49,216
Artwork and other	_	_	_	_	_	_	_	27,663	_	27,663
Real estate taxes	_	_	_	_	_	_	_		142,940	142,940
Travel	12,666	_	980	_	5,978	19,624	21,238	11,122	2,0 .0	51,984
Miscellaneous	100,927	_	6,071	_	203	107,201	2,196	149,048	145	258,590
Bad debt	-	_	-	_	-	-	24,200	- 10,010	-	24,200
Depreciation	2,037,379	_	_	_	_	2,037,379	18,960	5,864	180,000	2,242,203
Interest expense (Note 6)	56,534	_	_	_	_	56,534	284	-	-	56,818
Amortization of deferred financing costs (Note 6)	16,604	-	-	-	-	16,604	84	-	-	16,688
Subtotal	6,143,377	107,416	545,082	786,631	175,335	7,757,841	1,281,977	4,722,565	348,787	14,111,170
Less: cost of operations of parking garage	-,,	-		-	-	-,,	-,	-,,500	(348,787)	(348,787)
Less: cost of direct benefit to donor								(1,475,914)	-	(1,475,914)
TOTAL EXPENSES	\$ 6,143,377	\$ 107,416	\$ 545,082	\$ 786,631	\$ 175,335	\$ 7,757,841	\$ 1,281,977	\$ 3,246,651	<u> </u>	\$ 12,286,469

RONALD MCDONALD HOUSE OF NEW YORK, INC. STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$	9,365,665	\$	5,865,026
Adjustments to reconcile change in net assets to				
net cash provided by operating activities:				
Depreciation		2,804,807		2,242,203
Bad debt		195,000		24,200
Amortization of deferred financing costs		14,346		16,688
Contributed property and equipment		(79,044)		(178,753)
Unrealized (gain)/loss on investments		(4,817,219)		(3,038,544)
Realized gain on investment sales		(205,736)		(252,389)
Changes in operating assets and liabilities:				
(Increase) decrease in assets:		(400.004)		04.000
Prepaid expenses and other receivables		(180,084)		61,808
Contributions and pledges receivable		(358,480)		(328,037)
Increase in liabilities:		1 010 764		66.246
Accounts payable and accrued expenses Refundable advances		1,218,764		66,346
Refundable advances	_	7,865	_	(68,337)
Net Cash Provided by Operating Activities		7,965,884		4,410,211
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment		(4,559,482)		(2,612,645)
Proceeds from investment sales		6,514,280		13,856,933
Purchases of investments		(7,586,480)		14,753,096)
Net Cash Used in Investing Activities		(5,631,682)		(3,508,808)
		_		_
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayments of bond payable	_	(1,000,000)	_	(900,000)
Net Cash Used in Financing Activities		(1,000,000)		(900,000)
NET INCREASE IN CASH		1,334,202		1,403
Cash - beginning of year		1,575,447		1,574,044
CASH - END OF YEAR	\$	2,909,649	\$	1,575,447
Supplemental Disclosure of Cash Flow Information				
• •	•	7.040	•	40.000
Cash paid for interest	\$	7,640	\$	12,600
Noncash Investing Activities				
Contributed property and equipment	\$	79,044	\$	178,753

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 14 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, daily volunteer led activities and a Hospital Outreach Program. 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. The Hospital Outreach Program is the first step in developing a long-term growth strategy for the Organization. In 2013, the Organization expanded the Hospital Outreach Program to service our first public hospital in New York City. This partnership highlights the Organization's ongoing efforts to provide programs and services to New York City residents. The Organization's programs give families the opportunity to share experiences, make new friends, and create a support group while building a friendly caring, supportive 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 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, caregiver support programs, and self-defense/dance movement. Our computer lab allows our guests to stay in touch with friends and family as well as a communication network to maintain work-related commitments. The caregiver 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 and spiritual service, and a hope and healing Mass including the Sacrament of the Sick.

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 Hospital Outreach program is a three-pronged initiative that includes outreach programs and services for New York City children who are not residents of the House 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 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 one year.
- 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 receivable and revenue is recorded when the family and child check in to stay at the Organization. Conditional promises to give are not included as support until the conditions are substantially met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of December 31, 2013 and 2012, the Organization determined that an allowance for uncollectible contributions and pledges of \$200,000 and \$100,000, respectively, 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. As of December 31, 2013 and 2012, the Organization determined that no allowance for room rental receivables (included with prepaid expenses and other receivables on the accompanying statements of financial position) is necessary.

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.
- The cost of providing the various programs and supporting services has been summarized on a functional basis
 in the statement of functional expenses. Accordingly, certain costs have been allocated among program services
 and supporting services.
- 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, 2013 and 2012, the Organization recorded contributed goods and services amounting to \$449,589 and \$792,850, 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, 2013 and 2012, a member of the Organization's Board of Directors was the CEO of a public relations firm that donated approximately \$96,000 and \$113,000 of services to the Organization, which is shown below as contributed program entertainment and enrichment and professional fees. During 2013 and 2012, in-kind contributions included the following:

	2013	2012
Capitalized property and equipment	\$ 79,044	\$ 178,753
Contributed program entertainment and enrichment	209,103	412,601
Contributed professional fees	24,245	28,210
Contributed supplies	37,666	38,604
Contributed repairs and maintenance	11,948	48,765
Contributed recognition items	9,078	1,287
Contributed miscellaneous items	6,368	-
Contributed fundraising support activities	72,137	84,630
Total in-kind contributions	\$ 449,589	\$ 792,850

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 \$608,000 and \$595,000, respectively, for the years ended December 31, 2013 and 2012.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable consist of the following as of December 31, 2013 and 2012:

	2013	2012
Due in less than a year Between one and five years	\$ 1,547,257 156,178	\$ 1,389,955 50,000
Less: Allowance for uncollectible accounts	1,703,435 (200,000)	1,439,955 (100,000)
	<u>\$ 1,503,435</u>	<u>\$ 1,339,955</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31, 2013 and 2012:

		2013	2012
Unrestricted:			
Cash		\$ 1,166,120	\$ 1,249,758
Money market funds		118,026	131,122
Equity securities:			
U.S. large cap		3,301,799	1,909,100
U.S. mid/small cap		1,140,195	805,566
Non U.S. equities		4,290,167	2,247,221
Fixed income securities:			
Mutual funds		9,620,280	11,294,526
Corporate bonds		269,255	277,375
International bonds		463,560	435,761
Mutual funds:			
U.S. large cap		1,008,425	767,531
Non U.S. equities		12,089	42,781
Cash		<u>83,095</u>	<u>50,955</u>
	Subtotal	21,473,011	<u> 19,211,696</u>
Alternative investments:			
Hedge funds		\$ 3,719,494	\$ 4,822,222 A
Limited partnerships		23,897,492	19,084,768 B
Other investments		1,193,217	<u>1,187,096</u> C
	Subtotal	28,810,203	<u>25,094,086</u>
Total Unrestricted		50,283,214	44,305,782
Restricted:			
Cash		728,367	729,373
Mutual Funds		288,190	169,461
	Total	<u>\$ 51,299,771</u>	<u>\$ 45,204,616</u>

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, 2013 and 2012, \$728,367 and \$729,373, respectively, were restricted for bond repayment. As of December 31, 2013 and 2012, \$288,190 and \$169,461, respectively, were restricted for pension and deferred compensation plans. In addition, \$1,103,915 was restricted for endowment as of December 31, 2013 and 2012.

Interest receivable of \$30,127 and \$32,503 as of December 31, 2013 and 2012 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, 2013 and 2012

	 2013	 2012
Interest and dividends	\$ 480,087	\$ 569,987
Other investment income	104,254	-
Unrealized gain on investments	4,817,219	3,038,544
Realized gain on investment sales	 205,736	 252,389
	\$ 5,607,296	\$ 3,860,920

The Organization incurred investment expenses of \$70,543 and \$62,298 during the years ended December 31, 2013 and 2012, 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, 2013 and 2012:

	2013	2012	Estimated <u>Useful Lives</u>
Land	\$ 9,600,607	\$ 9,600,607	
Building	25,983,954	25,983,954	5-30 years
Vehicle	127,161	127,161	3 years
Furniture, fixtures and equipment	15,465,746	10,346,984	3-10 years
Construction in progress	<u> </u>	480,236	•
Total cost	51,177,468	46,538,942	
Less: Accumulated depreciation	(24,108,143)	(21,303,336)	
Net book value	<u>\$ 27,069,325</u>	<u>\$ 25,235,606</u>	

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense amounted to \$2,804,807 and \$2,242,203 for the years ended December 31, 2013 and 2012, respectively.

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

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.

NOTE 6 – BONDS PAYABLE

Bonds payable amounted to \$5,600,000 and \$6,600,000 as of December 31, 2013 and 2012, 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, 2013 and 2012, the interest rate on the bonds was 0.07% and 0.17% per annum, respectively. The Bonds have a maturity of 30 years and are due May 15, 2021, but the Organization can repay the payments at any time and retire the bond issue. The Organization has made repayments on an accelerated basis.

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, 2016. 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, 2013 and 2012, activity related to bond principal consisted of the following:

	2013	2012
Bonds payable, at the beginning of the year	\$ 6,600,000	\$ 7,500,000
Sinking fund payment for the year	<u>(1,000,000</u>)	(900,000)
Bonds payable, at the end of the year	\$ 5,600,000	<u>\$ 6,600,000</u>

Sinking fund requirements for the principal portion of the bonds payable for the years ended after December 31, 2013 are as follows:

2014	1,000,000
2015	1,100,000
2016	1,100,000
2017	1,200,000
2018	1,200,000
	<u>\$ 5,600,000</u>

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, 2014. As of December 31, 2013 and 2012, the debt sinking fund deposit with the Bond Trustee amounted to \$728,367 and \$729,373, respectively.

NOTE 6 - BONDS PAYABLE (Continued)

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 which approximates the effective interest method. Interest and amortization expense amounted to \$60,043 and \$73,506 for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, deferred financing costs consist of the following:

	2013	_	2012
Deferred financing costs Less: Accumulated amortization	\$ 615,760 (582,447)		615,760 (568,101)
Deferred financing costs	\$ 33,313	\$	47,659

The estimated annual amortization expense for the five years following December 31, 2013 is:

2014	\$ 12,007
2015	9,421
2016	6,835
2017	4,002
2018	 1,048
Total	\$ 33,313

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, 2013 and 2012 for the 401(k) Plans was approximately \$299,000 and \$277,000, 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 \$103,711 and \$78,625 at December 31, 2013 and 2012, 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 \$184,479 and \$90,836 as of December 31, 2013 and 2012, 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, 2013 and 2012:

		2013	 2012
Purpose restricted Time restricted	\$	80,350 396,855	\$ 79,311 100,000
	<u>\$</u>	477,205	\$ 179,311

NOTE 8 – NET ASSETS (Continued)

For the years ended December 31, 2013 and 2012, temporarily restricted net assets in the amount of \$68,961 and \$367,175, 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, 2013 and 2012 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, 2013 and 2012) 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, 2013:

	<u>Ur</u>	restricted	_ <u>D</u>	Board <u>esignated</u>	 Temporarily Restricted		Permanently Restricted	<u></u>	Total Endowments
Investment activity: Interest and dividends Unrealized (loss)gain on investments	\$	- -	\$	39,287 (32,215)	\$ 39,182 (58,270)	\$	- -	\$	78,469 (<u>90,485</u>)
Total investment activity				7,072	 (19,088)		<u>-</u>		(12,016)
Amount transferred from unrestricted funds Amount appropriated for expenditure Endowment net assets, beginning of year		(41,764)	<u> </u>	- <u>(233,413</u>) 1,614,495	 41,764 (26,117) 3,441	_	- - 1,103,915		(259,530) 2,721,851
Endowment net assets, end of year	\$	(41,764)	\$	1,388,154	\$ 	\$	1,103,915	\$	2,450,305

NOTE 8 - NET ASSETS (Continued)

Changes in endowment net assets for year ended December 31, 2012:

	Board	Temporarily	Permanently	Total
	<u>Designated</u>	Restricted	Restricted	Endowments
Investment activity: Interest and dividends Unrealized (loss)gain on investments	\$ 38,481	\$ 16,117	\$ -	\$ 54,598
	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	<u>\$ 1,614,495</u>	\$ 3,441	<u>\$ 1,103,915</u>	\$ 2,721,851

For the years ended December 31, 2013 and 2012, endowment net assets of \$2,450,305 and \$2,721,851, respectively, are included with investments in the accompanying statements of financial position.

NOTE 9 – ALLOCATION OF JOINT COSTS

During the years ended December 31, 2013 and 2012, the Organization incurred joint costs of \$956,862 and \$944,357 (other than donated services), respectively, for informational materials and activities that were included in fundraising appeals. During the year ended December 31, 2013, \$299,524 was allocated to program expenses and \$657,338 was allocated to fundraising. During the year ended December 31, 2012, \$347,534 was allocated to program expenses and \$596,823 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, 2013 and 2012, there was approximately \$1,812,000 and \$0, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks. Securities Investor Protection Corporation ("SIPC") insurance limits are up to \$500,000. As of December 31, 2013 and 2012, there was approximately \$2,000 and \$254,000, respectively, of cash and cash equivalents held by banks that exceeded the amount covered by the ("SIPC") limits.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Lease 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 \$489,600 and \$475,332, respectively, for the years ended December 31, 2013 and 2012. In January 2009, the Organization extended the lease with CPS for five years through December 2013. During 2013, the Board of Directors began the process to sell the parking garage and place the property on the market in 2014. In January 2014, the Organization extended the lease with CPS for one month. Future lease payments are approximately \$40,800.

In December 2012, 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, 2013 are approximately \$20,000 for 2014 and \$10,000 for 2015.

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

B. Uncertain Tax Positions

The Organization had no uncertain tax positions as of December 31, 2013 and 2012 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, 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 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 years ended December 31, 2013 and 2012, 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, 2013 and 2012. The financial statements of these alternative investments are prepared in accordance with GAAP and are audited annually by independent auditors. As of December 31, 2013 and 2012, the Organization had no unfunded commitments to invest in these alternative funds. Redemptions, at NAV, of shares in these investments range from immediate to annually, generally with forty-five to ninety 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, 2013 are classified in the table as follows:

	 Level 1	Level 2	 Total 2013
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Money market funds	\$ 118,026	\$ -	\$ 118,026
Equity securities:			
U.S. large cap	3,301,799	-	3,301,799
U.S. mid/small cap	1,140,195	-	1,140,195
Non U.S. equities	4,290,167	-	4,290,167
Fixed income securities:			
Mutual funds	9,620,280	-	9,620,280
Corporate bonds	269,255	-	269,255
International bonds	463,560	-	463,560
Mutual funds:			
U.S. large cap	1,008,425	-	1,008,425
U.S. mid cap	12,089	-	12,089
Non U.S. equities	83,095	-	83,095
Alternative investments:			
Hedge Funds	-	3,719,494	3,719,494
Limited Partnerships	-	23,897,492	23,897,492
Other investments	 -	 1,193,217	 1,193,217
TOTAL ASSETS AT FAIR VALUE	\$ 20,306,891	\$ 28,810,203	\$ 49,117,094

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

	 Level 1		Level 2		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	-	1,187,09 <u>6</u>
TOTAL ASSETS AT FAIR VALUE	\$ 17,961,938	\$	25,094,086	\$	43,056,024

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

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.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to December 31, 2013 through April 16, 2014, the Organization entered into an Agreement of Purchase & Sale for the parking garage. The sale of the parking garage is scheduled to close by the end of April 2014. The tenant vacated the premises on January 31, 2014.

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 16, 2014, the date the financial statements were available to be issued. Other than the event described above, no other events have occurred subsequent to December 31, 2013 through April 16, 2014, that would require adjustment to or disclosure in the accompanying financial statements.