

RONALD MCDONALD HOUSE OF NEW YORK, INC.



RONALD MCDONALD
HOUSE NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

RONALD MCDONALD HOUSE OF NEW YORK, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, and the related statements of activities, functional expenses and 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, 2015 and 2014, 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 LLP

New York, NY
April 28, 2016



RONALD MCDONALD HOUSE OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash (Notes 2B and 10)	\$ 4,801,185	\$ 3,086,551
Prepaid expenses and other receivables (Note 2F)	740,427	760,953
Contributions and pledges receivable, net (Notes 2F, 3 and 10)	6,102,133	1,074,829
Investments (Notes 2G, 2H, 4, 7 and 12)	78,623,732	81,212,539
Restricted funds (Notes 4 and 12)	1,123,302	1,141,776
Property and equipment, net (Notes 2E, 2K, 5, and 6)	19,362,338	18,862,903
Deferred financing costs, net (Note 6)	11,884	21,305
TOTAL ASSETS	\$ 110,765,001	\$ 106,160,856
LIABILITIES		
Accounts payable and accrued expenses (Note 7)	\$ 2,466,873	\$ 1,887,300
Refundable advances (Note 2M)	116,736	61,320
Bonds payable (Note 6)	3,500,000	4,600,000
TOTAL LIABILITIES	6,083,609	6,548,620
COMMITMENTS (Note 11)		
NET ASSETS (Note 2C)		
Unrestricted:		
Undesignated	54,325,862	53,430,899
Net investment in property and equipment	15,874,222	14,284,208
Designated for future use (Note 8)	28,258,195	30,125,000
Total unrestricted	98,458,279	97,840,107
Temporarily restricted (Note 8)	5,119,198	668,214
Permanently restricted (Notes 4 and 8)	1,103,915	1,103,915
TOTAL NET ASSETS	104,681,392	99,612,236
TOTAL LIABILITIES AND NET ASSETS	\$ 110,765,001	\$ 106,160,856

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, 2015 AND 2014

	Year Ended December 31, 2015			Year Ended December 31, 2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
PUBLIC SUPPORT AND REVENUE:								
Public Support:								
Special events revenue (Note 2J)	\$ 10,958,381	\$ -	\$ -	\$ 10,958,381	\$ 8,803,994	\$ -	\$ -	\$ 8,803,994
Less: cost of direct benefit to donors	(1,795,859)	-	-	(1,795,859)	(1,407,794)	-	-	(1,407,794)
Special events, net	9,162,522	-	-	9,162,522	7,396,200	-	-	7,396,200
Bequests (Note 2F)	578,154	-	-	578,154	80,139	-	-	80,139
Direct mail contributions	2,138,722	-	-	2,138,722	2,306,345	-	-	2,306,345
Contributions (Notes 2K and 10)	4,928,172	6,331,373	-	11,259,545	3,025,491	812,492	-	3,837,983
Total public support	16,807,570	6,331,373	-	23,138,943	12,808,175	812,492	-	13,620,667
Revenue:								
Room rental (Note 2F)	844,730	-	-	844,730	842,110	-	-	842,110
Investment (loss) income (Note 4)	(2,649,960)	-	-	(2,649,960)	1,806,310	-	-	1,806,310
Parking garage rental, net of costs of 139,855 in 2014 (Notes 5 and 11)	-	-	-	-	(99,055)	-	-	(99,055)
Other	28,285	-	-	28,285	18,986	-	-	18,986
Total revenue	(1,776,945)	-	-	(1,776,945)	2,568,351	-	-	2,568,351
Net assets released from restrictions (Note 8)	1,880,389	(1,880,389)	-	-	621,483	(621,483)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	16,911,014	4,450,984	-	21,361,998	15,998,009	191,009	-	16,189,018
EXPENSES:								
Program Services:								
Room rental	7,886,275	-	-	7,886,275	7,729,458	-	-	7,729,458
Camp Ronald McDonald	158,306	-	-	158,306	166,141	-	-	166,141
Volunteer activities	708,016	-	-	708,016	801,666	-	-	801,666
Education and support	974,069	-	-	974,069	816,959	-	-	816,959
Outreach programs	831,119	-	-	831,119	470,635	-	-	470,635
Total program services	10,557,785	-	-	10,557,785	9,984,859	-	-	9,984,859
Supporting Services:								
Management and general	1,569,853	-	-	1,569,853	1,464,018	-	-	1,464,018
Fundraising	4,184,284	-	-	4,184,284	3,931,403	-	-	3,931,403
Total supporting services	5,754,137	-	-	5,754,137	5,395,421	-	-	5,395,421
TOTAL EXPENSES	16,311,922	-	-	16,311,922	15,380,280	-	-	15,380,280
CHANGE IN NET ASSETS BEFORE SALE AND WRITE-OFF OF ASSETS	599,092	4,450,984	-	5,050,076	617,729	191,009	-	808,738
Gain on sale of property and equipment (Note 5)	19,080	-	-	19,080	23,416,155	-	-	23,416,155
Gain (loss) on disposition of property and equipment (Note 5)	-	-	-	-	(12,806)	-	-	(12,806)
CHANGE IN NET ASSETS	618,172	4,450,984	-	5,069,156	24,021,078	191,009	-	24,212,087
Net assets - beginning of year	97,840,107	668,214	1,103,915	99,612,236	73,819,029	477,205	1,103,915	75,400,149
NET ASSETS - END OF YEAR	\$ 98,458,279	\$ 5,119,198	\$ 1,103,915	\$ 104,681,392	\$ 97,840,107	\$ 668,214	\$ 1,103,915	\$ 99,612,236

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, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

For the Year Ended December 31, 2015

	Program Services					Supporting Services		Total 2015	Total 2014	
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Outreach Programs	Total Program	Management and General			Fundraising
Salaries	\$ 2,192,505	\$ 105,326	\$ 230,824	\$ 155,660	\$ 168,487	\$ 2,852,802	\$ 763,238	\$ 1,076,772	\$ 4,692,812	\$ 4,373,656
Payroll taxes and employee benefits (Note 7)	591,302	29,775	65,958	43,471	140,611	871,117	233,005	328,872	1,432,994	1,294,405
Total Salaries and Related Costs	2,783,807	135,101	296,782	199,131	309,098	3,723,919	996,243	1,405,644	6,125,806	5,668,061
Occupancy	295,295	-	-	-	-	295,295	-	-	295,295	462,533
Special Projects	60,779	-	-	-	-	60,779	16,257	22,946	99,982	18,738
Repairs and maintenance (Note 2K)	378,173	-	-	-	-	378,173	1,899	-	380,072	403,625
Supplies (Note 2K)	342,223	-	3,036	655	2,258	348,172	45,964	13,570	407,706	422,472
Family activity expenses:										
Program entertainment and enrichment (Note 2K)	141,998	420	26,713	260,603	128,195	557,929	-	-	557,929	735,885
Trips, outings and parties	-	22,785	126,271	2,712	52,682	204,450	-	-	204,450	190,133
Education and counseling	-	-	-	58,555	192	58,747	-	-	58,747	54,978
Transportation and other	23,103	-	2,781	22,309	43,391	91,584	-	-	91,584	108,710
Family Room Construction Costs	-	-	-	-	111,568	111,568	-	-	111,568	254,615
Volunteer and staff recognition (Note 2K)	72,145	-	166,363	-	8,815	247,323	29,637	29,373	306,333	254,615
Staff development	43,948	-	12,082	-	1,211	57,241	13,016	11,123	81,380	50,601
Fundraising support activities (Note 2K)	-	-	-	-	-	-	-	551,101	551,101	197,279
Special events expense	-	-	-	-	-	-	-	2,557,170	2,557,170	2,228,803
Printing and publications	97,893	-	2,269	-	4,018	104,180	5,469	21,608	131,257	104,693
Professional fees (Note 2K)	32,744	-	54,600	-	81,007	168,351	379,641	42,258	590,250	365,043
Telephone	140,192	-	1,762	-	3,620	145,574	23,023	62,761	231,358	178,489
Insurance	135,041	-	-	-	-	135,041	679	-	135,720	145,194
Postage, messenger and other	16,611	-	253	-	17	16,881	4,515	6,505	27,901	25,109
Direct mail campaign expenses:										
Printing, postage and mailing services (Note 9)	-	-	-	430,104	-	430,104	-	1,032,095	1,462,199	1,424,637
Consulting fees and list purchases	-	-	-	-	-	-	-	83,392	83,392	46,763
Artwork and other	-	-	-	-	-	-	-	12,680	12,680	17,537
Real estate taxes	-	-	-	-	-	-	-	-	-	54,831
Travel	12,003	-	6,578	-	23,186	41,767	24,627	11,441	77,835	80,377
Miscellaneous (Note 2K)	427,807	-	8,526	-	1,433	437,766	-	-	437,766	340,296
Bad debt	-	-	-	-	-	-	-	107,000	107,000	210,200
Depreciation	2,785,716	-	-	-	60,428	2,846,144	28,397	9,476	2,884,017	3,006,794
Interest expense (Note 6)	87,423	-	-	-	-	87,423	439	-	87,862	119,525
Amortization of deferred financing costs (Note 6)	9,374	-	-	-	-	9,374	47	-	9,421	12,008
Subtotal	7,886,275	158,306	708,016	974,069	831,119	10,557,785	1,569,853	5,980,143	18,107,781	16,927,929
Less: cost of operations of parking garage	-	-	-	-	-	-	-	-	-	(139,855)
Less: cost of direct benefit to donor	-	-	-	-	-	-	-	(1,795,859)	(1,795,859)	(1,407,794)
TOTAL EXPENSES	\$ 7,886,275	\$ 158,306	\$ 708,016	\$ 974,069	\$ 831,119	\$ 10,557,785	\$ 1,569,853	\$ 4,184,284	\$ 16,311,922	\$ 15,380,280
TOTAL EXPENSES 2014	\$ 7,729,458	\$ 166,141	\$ 801,666	\$ 816,959	\$ 470,635	\$ 9,984,859	\$ 1,464,018	\$ 3,931,403	\$ 15,380,280	

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, 2014

For the Year Ended December 31, 2014

	Program Services					Supporting Services		Parking Garage	Total 2014	
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Hospital Outreach	Total Program Services	Management and General			Fundraising
Salaries	\$ 2,000,488	\$ 111,004	\$ 178,607	\$ 148,402	\$ 120,270	\$ 2,558,771	\$ 866,103	\$ 948,782	\$ -	\$ 4,373,656
Payroll taxes and employee benefits (Note 7)	602,576	29,827	50,608	43,927	30,289	757,227	256,292	280,886	-	1,294,405
Total Salaries and Related Costs	2,603,064	140,831	229,215	192,329	150,559	3,315,998	1,122,395	1,229,668	-	5,668,061
Occupancy	459,596	-	-	-	-	459,596	2,310	-	627	462,533
Special projects	10,962	-	-	-	-	10,962	3,710	4,066	-	18,738
Repairs and maintenance (Note 2K)	395,284	-	-	-	-	395,284	1,986	-	6,355	403,625
Supplies (Note 2J)	366,625	-	3,729	1,554	2,025	373,933	36,692	11,847	-	422,472
Family activity expenses:										
Program entertainment and enrichment (Note 2K)	137,706	1,718	307,826	195,145	93,490	735,885	-	-	-	735,885
Trips, outings and parties	-	23,592	125,476	1,666	39,399	190,133	-	-	-	190,133
Education and counseling	-	-	-	52,465	2,513	54,978	-	-	-	54,978
Transportation and other	28,614	-	-	5,285	74,811	108,710	-	-	-	108,710
Volunteer and staff recognition	88,990	-	86,223	-	-	175,213	43,456	35,946	-	254,615
Staff development	30,020	-	692	-	3,829	34,541	9,177	6,883	-	50,601
Fundraising support activities (Note 2K)	-	-	-	-	-	-	-	197,279	-	197,279
Special events expense	-	-	-	-	-	-	-	2,228,803	-	2,228,803
Printing and publications	72,220	-	2,166	-	940	75,326	8,865	20,502	-	104,693
Professional fees (Note 2K)	66,652	-	32,457	-	75,229	174,338	156,653	21,991	12,061	365,043
Telephone	107,082	-	1,938	-	3,193	112,213	18,038	48,238	-	178,489
Insurance	138,545	-	-	-	-	138,545	696	-	5,953	145,194
Postage, messenger and other	13,866	-	472	-	253	14,591	4,939	5,551	28	25,109
Direct mail campaign expenses:										
Printing, postage and mailing services (Note 9)	-	-	-	368,515	-	368,515	-	1,056,122	-	1,424,637
Consulting fees and list purchases	-	-	-	-	-	-	-	46,763	-	46,763
Artwork and other	-	-	-	-	-	-	-	17,537	-	17,537
Real estate taxes	-	-	-	-	-	-	-	-	54,831	54,831
Travel	12,373	-	3,771	-	22,892	39,036	25,781	15,560	-	80,377
Miscellaneous	151,883	-	7,701	-	1,502	161,086	3,821	175,389	-	340,296
Bad debt	-	-	-	-	-	-	-	210,200	-	210,200
Depreciation	2,915,101	-	-	-	-	2,915,101	24,841	6,852	60,000	3,006,794
Interest expense and related fees (Note 6)	118,927	-	-	-	-	118,927	598	-	-	119,525
Amortization of deferred financing costs (Note 6)	11,948	-	-	-	-	11,948	60	-	-	12,008
Subtotal	7,729,458	166,141	801,666	816,959	470,635	9,984,859	1,464,018	5,339,197	139,855	16,927,929
Less: cost of operations of parking garage	-	-	-	-	-	-	-	-	(139,855)	(139,855)
Less: cost of direct benefit to donor	-	-	-	-	-	-	-	(1,407,794)	-	(1,407,794)
TOTAL EXPENSES	\$ 7,729,458	\$ 166,141	\$ 801,666	\$ 816,959	\$ 470,635	\$ 9,984,859	\$ 1,464,018	\$ 3,931,403	\$ -	\$ 15,380,280

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, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,069,156	\$ 24,212,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,884,017	3,006,794
Bad debt	107,000	210,200
Amortization of deferred financing costs	9,421	12,008
Contributed property and equipment	(9,100)	(44,679)
Unrealized loss/(gain) on investments	3,261,095	(621,241)
Realized loss/(gain) on investment sales	74,678	(421,408)
Gain on sale of property and equipment	(19,808)	(23,416,155)
Loss on disposal of property and equipment	-	12,806
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses and other receivables	20,526	(35,752)
Contributions and pledges receivable	(5,134,304)	218,406
Increase in liabilities:		
Accounts payable and accrued expenses	579,573	(537,080)
Refundable advances	55,416	(54,845)
Net Cash Provided by Operating Activities	6,897,670	2,541,141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,417,544)	(1,780,322)
Proceeds from sale of property and equipment	63,000	30,427,978
Proceeds from investment sales	6,591,832	6,442,237
Purchases of investments	(7,320,324)	(36,454,132)
Net Cash Used in Investing Activities	(4,083,036)	(1,364,239)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of bond payable	(1,100,000)	(1,000,000)
Net Cash Used in Financing Activities	(1,100,000)	(1,000,000)
NET INCREASE IN CASH	1,714,634	176,902
Cash - beginning of year	3,086,551	2,909,649
CASH - END OF YEAR	\$ 4,801,185	\$ 3,086,551
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,074	\$ 3,832
Noncash Investing Activities		
Contributed property and equipment	\$ 9,100	\$ 44,679

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

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 16 partnering hospitals. The Organization assists up to 84 families from 59 states and territories and 33 countries around the world, 365 days per year and has assisted over 30,000 families in its 37-year history. Since 1978, the Organization has provided families with a supportive and caring environment consisting comprehensive education programs, Camp Ronald McDonald, daily volunteer led activities and Outreach Programs. These outreach programs highlight the Organization’s ongoing efforts to provide programs and services to New York City residents. Individuals and groups volunteer their time for programs including pet therapy, music & dance programs, yoga & wellness, tutoring, computer training, art & science, Camp Ronald McDonald, daily playroom and evening activities. 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 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, wellness, yoga and 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 and wellness 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.

Camp Ronald McDonald is a place where children build a volcano, go swimming, climb a rock wall and laugh until it hurts, all in one place. During the months of July and August, children staying at the House can enjoy camp activities like kayaking, beach trips, arts & crafts, drama, dance, water games, sports and much more.

The Outreach Program includes 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. In 2015 we started a coffee cart program at one of our partner hospitals to give a well-deserved snack to over 12,000 individuals in the pediatric unit. In 2016 the Organization has plans to build its first Ronald McDonald House Family Room, which is a place of respite for caregivers, at one of our partner hospitals as the newest piece of our Outreach Program.

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.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 instruments 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 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. At the end of 2014, the Board increased this designation to \$30,125,000 for future program and capital initiatives to continue to support the mission and long-term viability and growth expansion of the Organization. During 2015 the Organization made an additional designation in the amount of \$200,000 and in total has appropriated \$2,059,123 from the Board Designated Funds for expenditure to further the mission which includes \$1,811,377 for the project to expand the facility from 84 rooms to 95 rooms and \$247,746 for the Family Room and Coffee Cart programs.

- 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. 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.

In accordance with ASC 360-10, *Property, Plant and Equipment*, "Impairment or Disposal of Long-Lived Assets", the Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. No impairment loss has been recognized by the Organization for the years ended December 31, 2015 and 2014.

- 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 in the years in which the promises are received, if material. Amortization of the discounts is included in contribution income.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

As of December 31, 2015 and 2014, the Organization determined that an allowance for uncollectible contributions and pledges of \$200,000, for both years, 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, 2015 and 2014, 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.
- I. The cost of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services.
- J. The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.
- K. 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, 2015 and 2014, the Organization recorded contributed goods and services amounting to \$489,866 and \$695,556 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, 2015 and 2014, a member of the Organization's Board of Directors was the CEO of a public relations firm that donated approximately \$121,000 and \$96,000 of services to the Organization, which is shown below as contributed program entertainment and enrichment and professional fees. During 2015 and 2014, in-kind contributions included the following:

	2015	2014
Capitalized property and equipment	\$ 9,100	\$ 44,679
Contributed program entertainment and enrichment	184,542	383,530
Contributed professional fees	54,297	30,149
Contributed supplies	57,051	133,384
Contributed repairs and maintenance	21,983	5,365
Contributed miscellaneous items	-	8,000
Contributed fundraising support activities	162,893	90,449
Total in-kind contributions	\$ 489,866	\$ 695,556

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 \$787,000 and \$800,000, respectively, for the years ended December 31, 2015 and 2014.

- L. 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.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts due in less than one year	\$ 2,674,475	\$ 1,202,829
Amounts due from one to five years	<u>3,704,000</u>	<u>72,000</u>
	6,378,475	1,274,829
Less: Unamortized discount 1.3%	(76,432)	-
Allowance for uncollectible accounts	<u>(200,000)</u>	<u>(200,000)</u>
	<u>\$ 6,102,133</u>	<u>\$ 1,074,829</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	
Cash	\$ 2,311,164	\$ 28,176,749	
Money market funds	4,671,903	3,970,734	
Equity securities:			
U.S. large cap	-	4,446,668	
U.S. mid/small cap	-	1,385,594	
Non U.S. equities	-	4,169,525	
Fixed income securities:			
Mutual funds	11,086,141	9,639,692	
Corporate bonds	-	260,858	
International bonds	2,831	2,635	
Mutual funds:			
U.S. large cap	8,228,517	152,320	
U.S. mid/small cap	2,243,709	13,952	
Non U.S. equities	<u>4,965,177</u>	<u>73,317</u>	
Subtotal	<u>\$ 33,509,442</u>	<u>\$ 52,292,044</u>	
Alternative investments:			
Hedge funds	\$ 10,574,106	\$ 2,778,394	A
Limited partnerships	33,294,611	25,167,929	B
Other investments	<u>1,245,573</u>	<u>974,172</u>	C
Subtotal	<u>45,114,290</u>	<u>28,920,495</u>	
Total Investments	<u>\$ 78,623,732</u>	<u>\$ 81,212,539</u>	

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 – INVESTMENTS (Continued)

Restricted funds:

Cash	\$ 642,680	\$ 704,230
Mutual Funds	<u>480,622</u>	<u>437,546</u>
Total Restricted Funds	<u>1,123,302</u>	<u>1,141,776</u>
Total	<u>\$ 79,747,034</u>	<u>\$ 82,354,315</u>

- 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 statements of financial position and statements of activities.

Included in investments for the years ended December 31, 2015 and 2014, respectively were \$642,680 and \$704,230, held for bond repayment, \$480,622 and \$437,546, held for pension and deferred compensation plans and, \$1,103,915 held for endowment as of December 31, 2015 and 2014.

Interest receivable of \$10,409 and \$8,916 as of December 31, 2015 and 2014 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 (loss) income consists of the following for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 545,229	\$ 563,255
Other investment income	140,584	200,406
Unrealized (loss) gain on investments	(3,261,095)	621,241
Realized (loss) gain on investment sales	<u>(74,678)</u>	<u>421,408</u>
	<u>\$ (2,649,960)</u>	<u>\$ 1,806,310</u>

The Organization incurred investment expenses of \$181,007 and \$54,243 during the years ended December 31, 2015 and 2014, respectively, and are reported as professional fees in the accompanying statements of functional expenses.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Land	\$ 6,038,784	\$ 6,038,784	
Building	20,583,954	20,583,954	5-30 years
Vehicle	154,032	127,161	3 years
Furniture, fixtures and equipment	18,482,589	17,070,354	3-10 years
Construction in progress	<u>1,947,547</u>	<u>139,000</u>	
Total cost	47,206,906	43,959,253	
Less: Accumulated depreciation	<u>(27,844,568)</u>	<u>(25,096,350)</u>	
Net book value	<u>\$ 19,362,338</u>	<u>\$ 18,862,903</u>	

Depreciation expense amounted to \$2,884,017 and \$3,006,794 for the years ended December 31, 2015 and 2014, respectively.

Construction in progress represents certain improvements to the Organization that had not been completed as of December 31, 2015. There is approximately \$24,300,000 in estimated costs to complete the expansion project that is in construction in progress.

During the years ended December 31, 2015 and 2014, the Organization received donated property and equipment that amounted to \$9,100 and \$44,679, respectively (See Note 2K).

During the year ended December 31, 2015, the Organization retired vehicles with a total cost and accumulated depreciation of \$127,161, and sold a vehicle with a total cost of \$51,830 and accumulated depreciation of \$8,638 for net proceeds of \$63,000, resulting in a gain on sale of \$19,808.

During the year ended December 31, 2014, the Organization sold the parking garage and land with a cost of \$8,961,823 and accumulated depreciation of \$1,950,000 for net proceeds of \$30,427,978, resulting in a gain of \$23,416,155. Additionally, furniture and fixtures with a cost of \$81,393 and accumulated depreciations of \$68,587 were disposed of, resulting in a loss of \$12,806.

NOTE 6 – BONDS PAYABLE

Bonds payable amounted to \$3,500,000 and \$4,600,000 as of December 31, 2015 and 2014, 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, 2015 and 2014, the interest rate on the bonds was 0.01% and 0.03% 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.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6 – BONDS PAYABLE (Continued)

For the years ended December 31, 2015 and 2014, activity related to bond principal consisted of the following:

	<u>2015</u>	<u>2014</u>
Bonds payable, at the beginning of the year	\$ 4,600,000	\$ 5,600,000
Sinking fund payment for the year	<u>(1,100,000)</u>	<u>(1,000,000)</u>
Bonds payable, at the end of the year	<u>\$ 3,500,000</u>	<u>\$ 4,600,000</u>

Sinking fund requirements for the principal portion of the bonds payable for the years ended after December 31, 2015 are as follows:

2016	\$ 1,100,000
2017	1,200,000
2018	<u>1,200,000</u>
	<u>\$ 3,500,000</u>

The Organization remits monthly payments of approximately \$91,667 to a trustee towards the next annual installment of \$1,100,000 due on May 1, 2016. As of December 31, 2015 and 2014, the debt sinking fund deposit with the Bond Trustee amounted to \$642,680 and \$704,230, 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 which approximates the effective interest method. Interest expense, related fees and amortization expense amounted to \$97,283 and \$131,533 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, deferred financing costs consist of the following:

	<u>2015</u>	<u>2014</u>
Deferred financing costs	\$ 615,760	\$ 615,760
Less: Accumulated amortization	<u>(603,876)</u>	<u>(594,455)</u>
Deferred financing costs	<u>\$ 11,884</u>	<u>\$ 21,305</u>

The estimated annual amortization expense for the three years following December 31, 2015 is:

2016	\$ 6,835
2017	4,002
2018	<u>1,047</u>
Total	<u>\$ 11,884</u>

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, 2015 and 2014 for the 401(k) Plans was approximately \$295,000 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 \$108,709 and \$108,890 at December 31, 2015 and 2014, 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.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 7 – PENSION & RETIREMENT PLANS (Continued)

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 \$371,913 and \$328,656 as of December 31, 2015 and 2014, respectively, and are included in restricted funds and accrued expenses in accompanying statements of financial position. The Organization makes contributions to the plan, at the discretion of the Executive Committee on an annual basis.

In 2014, the Organization instituted a 403(b) Retirement Savings Plan for employee salary deferrals and a Deferred Compensation Plan under Section 457(f) of the Code covering key employees. As of December 31, 2015 and 2014, respectfully, there are no employer contributions to the 403(b) plan, only employee salary deferrals that are contributed on a biweekly basis. The Organization makes contributions to the 457(f) plan, at the discretion of the Executive Committee on an annual basis. There were no contributions to the 457(f) plan for the years ended December 31, 2015 and December 2014, respectively.

NOTE 8 – NET ASSETS

Temporarily restricted net assets are available for the following as of December 31, 2015 and 2014:

	2015	2014
Purpose restricted	\$ 119,198	\$ 437,214
Time restricted	5,000,000	231,000
	\$ 5,119,198	\$ 668,214

For the years ended December 31, 2015 and 2014, temporarily restricted net assets in the amount of \$1,880,389 and \$621,483, 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, 2015 and 2014 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 are temporarily restricted until appropriated for spending by the Board. Income from the remainder of permanently restricted securities (approximately \$518,000 as of December 31, 2015 and 2014) are 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.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 – NET ASSETS (Continued)

Changes in endowment net assets for year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowments</u>
Investment activity:					
Interest and dividends	\$ -	\$ 33,575	\$ 25,140	\$ -	\$ 58,715
Unrealized (loss)gain on investments	<u>-</u>	<u>(41,257)</u>	<u>(16,312)</u>	<u>-</u>	<u>(57,569)</u>
Total investment activity	<u>-</u>	<u>(7,682)</u>	<u>8,828</u>	<u>-</u>	<u>1,146</u>
Amount transferred from/to unrestricted funds	(22,504)	200,000	22,504	-	200,000
Amount appropriated for expenditure	<u>-</u>	<u>(2,059,123)</u>	<u>(31,332)</u>	<u>-</u>	<u>(2,090,455)</u>
Endowment net assets, beginning of year	<u>(29,164,766)</u>	<u>30,125,000</u>	<u>-</u>	<u>1,103,915</u>	<u>2,064,149</u>
Endowment net assets, end of year	<u><u>\$ (29,187,270)</u></u>	<u><u>\$ 28,258,195</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,103,915</u></u>	<u><u>\$ 174,840</u></u>

Changes in endowment net assets for year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowments</u>
Investment activity:					
Interest and dividends	\$ -	\$ 40,732	\$ 31,331	\$ -	\$ 72,063
Unrealized (loss)gain on investments	<u>-</u>	<u>(17,123)</u>	<u>27,459</u>	<u>-</u>	<u>10,336</u>
Total investment activity	<u>-</u>	<u>23,609</u>	<u>58,790</u>	<u>-</u>	<u>82,399</u>
Amount transferred from/to unrestricted funds	(29,123,002)	29,152,610	(29,608)	-	-
Amount appropriated for expenditure	<u>-</u>	<u>(439,373)</u>	<u>(29,182)</u>	<u>-</u>	<u>(468,555)</u>
Endowment net assets, beginning of year	<u>(41,764)</u>	<u>1,388,154</u>	<u>-</u>	<u>1,103,915</u>	<u>2,450,305</u>
Endowment net assets, end of year	<u><u>\$ (29,164,766)</u></u>	<u><u>\$ 30,125,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,103,915</u></u>	<u><u>\$ 2,064,149</u></u>

For the years ended December 31, 2015 and 2014, endowment net assets of \$174,840 and \$2,064,149, respectively, are included with investments in the accompanying statements of financial position.

NOTE 9 – ALLOCATION OF JOINT COSTS

The Organization conducted direct mail campaigns that included requests for contributions as well as program components. During the years ended December 31, 2015 and 2014, the Organization incurred joint costs of \$1,071,362 and \$1,000,683, respectively, for informational materials and activities that were included in fundraising appeals. During the year ended December 31, 2015, \$430,104 was allocated to program expenses and \$641,258 was allocated to fundraising. During the year ended December 31, 2014, \$368,515 was allocated to program expenses and \$632,168 was allocated to fundraising.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 – CONCENTRATIONS

- a) 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. As of December 31, 2015 and 2014, there was approximately \$2,700,000 and \$1,046,000, 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, 2015 and 2014, there was approximately \$505,000 and \$4,000, respectively, of cash and cash equivalents held by banks that exceeded the amount covered by the (“SIPC”) limits.
- b) The Organization received a pledge from a donor in the amount of \$5,000,000, which represents approximately 22% of its total public support for the year ended December 31, 2015.

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 \$40,800 for the year ended December 31, 2014. 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 placed the property on the market in 2014. In January 2014, the Organization extended the lease with CPS for one month. On April 24, 2014, the Organization sold the parking garage for net proceeds of \$30,427,978 (See Note 5).

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. At the end of the lease term, the equipment continues to be leased on a month to month basis with a portion of the payment reducing the buy-out price of the equipment. It is the Organization’s opinion that the equipment has a useful life of 2 to 3 years before it needs to be replaced.

B. Uncertain Tax Positions

The Organization believes it had no uncertain tax positions as of December 31, 2015 and 2014 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.

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.

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

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. For the years ended December 31, 2015 and 2014, 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, 2015 and 2014. The financial statements of these alternative investments are prepared in accordance with GAAP and are audited annually by independent auditors. As of December 31, 2015 and 2014, the Organization had no unfunded commitments to invest in these alternative funds. Redemptions, at NAV, of shares in these investments range from immediate to quarterly, generally with forty-five to ninety days’ notice.

Financial assets and liabilities carried at fair value at December 31, 2015, are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2015</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Money market funds	\$ 4,671,903	\$ -	\$ 4,671,903
Equity securities:			
U.S. large cap	-	-	-
U.S. mid/small cap	-	-	-
Non U.S. equities	-	-	-
Fixed income securities:			
Mutual funds	11,086,141	-	11,086,141
International bonds	2,831	-	2,831
Mutual funds:			
U.S. large cap	8,228,517	-	8,228,517
U.S. mid cap	2,243,709	-	2,243,709
Non U.S. equities	4,965,177	-	4,965,177
Alternative investments:			
Hedge Funds	-	10,574,106	10,574,106
Limited Partnerships	-	33,294,611	33,294,611
Other investments	-	1,245,573	1,245,573
TOTAL ASSETS AT FAIR VALUE	<u>\$ 31,198,278</u>	<u>\$ 45,114,290</u>	<u>\$ 76,312,568</u>

RONALD MCDONALD HOUSE OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value at December 31, 2014, are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2014</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Money market funds	\$ 3,970,734	\$ -	\$ 3,970,734
Equity securities:			
U.S. large cap	4,446,668	-	4,446,668
U.S. mid/small cap	1,385,594	-	1,385,594
Non U.S. equities	4,169,525	-	4,169,525
Fixed income securities:			
Mutual funds	9,639,692	-	9,639,692
Corporate bonds	260,858	-	260,858
International bonds	2,635	-	2,635
Mutual funds:			
U.S. large cap	152,320	-	152,320
U.S. mid cap	13,952	-	13,952
Non U.S. equities	73,317	-	73,317
Alternative investments:			
Hedge Funds	-	2,778,394	2,778,394
Limited Partnerships	-	25,167,929	25,167,929
Other investments	-	974,172	974,172
TOTAL ASSETS AT FAIR VALUE	<u>\$ 24,115,295</u>	<u>\$ 28,920,495</u>	<u>\$ 53,035,790</u>

Excluded from the fair value measurements above are cash totaling \$2,311,164 and \$28,176,749 for the years ended December 31, 2015 and 2014, respectively, which are included in investments on the accompanying statements of financial position.

In addition, restricted cash and mutual funds which are classified as Level 1, amounting to \$1,123,302 and \$1,141,776 for the years ended December 31, 2015 and 2014, respectively, are included in restricted funds on the accompanying statements of financial position.

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. Alternative investments are designated as Level 2 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.

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NOTE 13 – SUBSEQUENT EVENTS

The Organization began discussions in 2015 with two partner hospitals to open Ronald McDonald House Family Rooms on their sites. The organization finalized an agreement for construction of a Family Room in 2015 with one of the partner hospitals. The organization expects construction to begin on the Family Room in the spring of 2016, with an estimated cost to complete of approximately \$600,000. The organization continues to have discussions with the other partner hospital regarding the construction of a family room.

In 2015, the Board approved to expand the Organization's facility at 405 East 73rd Street from 84 rooms to 95 rooms. The Expansion Project is scheduled to begin in the Spring of 2016. (See Note 5)

Management has evaluated events subsequent to the date of the statement of financial position through April 28, 2016, the date the financial statements were available to be issued. Other than what is disclosed above, no other events have occurred subsequent to the statement of financial position date that would require adjustment or disclosure in the financial statements.