

# RONALD MCDONALD HOUSE OF NEW YORK, INC.



Keeping Families Close.

Financial Statements  
(Together with Independent Auditors' Report)

Years Ended December 31, 2016 and 2015

**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, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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 27, 2017

**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash (Notes 2B and 10)	\$ 4,381,309	\$ 4,801,185
Contributions and pledges receivable, net (Notes 2F, 3 and 10)	3,991,806	6,102,133
Prepaid expenses and other receivables (Note 2F)	796,115	740,427
Investments (Notes 2G, 2H, 4, 7 and 12)	78,534,403	78,623,732
Restricted funds (Notes 4 and 12)	461,748	1,123,302
Property and equipment, net (Notes 2E, 2K, 5, and 6)	25,854,553	19,362,338
Deferred financing costs, net (Note 6)	-	11,884
	<u>                  </u>	<u>                  </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 114,019,934</u></b>	<b><u>\$ 110,765,001</u></b>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 7)	\$ 5,820,348	\$ 2,466,873
Refundable advances (Note 2M)	428,907	116,736
Bonds payable (Note 6)	-	3,500,000
	<u>                  </u>	<u>                  </u>
<b>TOTAL LIABILITIES</b>	<b><u>6,249,255</u></b>	<b><u>6,083,609</u></b>
 <b>COMMITMENTS (Note 11)</b>		
 <b>NET ASSETS (Note 2C)</b>		
Unrestricted:		
Operations	57,051,523	54,325,862
Net investment in property and equipment	25,854,553	15,874,222
Designated for future use (Note 8)	19,836,088	28,258,195
Total unrestricted	102,742,164	98,458,279
Temporarily restricted (Note 8)	3,924,600	5,119,198
Permanently restricted (Notes 4 and 8)	1,103,915	1,103,915
	<u>                  </u>	<u>                  </u>
<b>TOTAL NET ASSETS</b>	<b><u>107,770,679</u></b>	<b><u>104,681,392</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 114,019,934</u></b>	 <b><u>\$ 110,765,001</u></b>

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, 2016 AND 2015**

	Year Ended December 31, 2016			Year Ended December 31, 2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
<b>PUBLIC SUPPORT AND REVENUE:</b>								
Public Support:								
Special events revenue (Note 2J)	\$ 8,183,949	\$ -	\$ -	\$ 8,183,949	\$ 10,958,381	\$ -	\$ -	\$ 10,958,381
Less: cost of direct benefit to donors	(1,368,499)	-	-	(1,368,499)	(1,795,859)	-	-	(1,795,859)
Special events, net	6,815,450	-	-	6,815,450	9,162,522	-	-	9,162,522
Bequests (Note 2F)	110,394	-	-	110,394	578,154	-	-	578,154
Direct mail contributions	2,459,241	-	-	2,459,241	2,138,722	-	-	2,138,722
Contributions (Notes 2K and 10)	3,598,761	647,925	-	4,246,686	4,928,172	6,331,373	-	11,259,545
Total public support	<u>12,983,846</u>	<u>647,925</u>	<u>-</u>	<u>13,631,771</u>	<u>16,807,570</u>	<u>6,331,373</u>	<u>-</u>	<u>23,138,943</u>
Revenue:								
Room rental (Note 2F)	491,750	-	-	491,750	844,730	-	-	844,730
Investment (loss) income (Note 4)	3,684,378	-	-	3,684,378	(2,649,960)	-	-	(2,649,960)
Other	16,035	-	-	16,035	28,285	-	-	28,285
Total revenue	<u>4,192,163</u>	<u>-</u>	<u>-</u>	<u>4,192,163</u>	<u>(1,776,945)</u>	<u>-</u>	<u>-</u>	<u>(1,776,945)</u>
Net assets released from restrictions (Note 8)	1,842,523	(1,842,523)	-	-	1,880,389	(1,880,389)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>19,018,532</u>	<u>(1,194,598)</u>	<u>-</u>	<u>17,823,934</u>	<u>16,911,014</u>	<u>4,450,984</u>	<u>-</u>	<u>21,361,998</u>
<b>EXPENSES:</b>								
Program Services								
Room rental	7,169,187	-	-	7,169,187	7,886,275	-	-	7,886,275
Camp Ronald McDonald	139,021	-	-	139,021	158,306	-	-	158,306
Volunteer activities	586,395	-	-	586,395	708,016	-	-	708,016
Education and support	873,671	-	-	873,671	974,069	-	-	974,069
Outreach programs	971,248	-	-	971,248	831,119	-	-	831,119
Total program services	<u>9,739,522</u>	<u>-</u>	<u>-</u>	<u>9,739,522</u>	<u>10,557,785</u>	<u>-</u>	<u>-</u>	<u>10,557,785</u>
Supporting Services:								
Management and general	1,262,883	-	-	1,262,883	1,569,853	-	-	1,569,853
Fundraising	3,732,242	-	-	3,732,242	4,184,284	-	-	4,184,284
Total supporting services	<u>4,995,125</u>	<u>-</u>	<u>-</u>	<u>4,995,125</u>	<u>5,754,137</u>	<u>-</u>	<u>-</u>	<u>5,754,137</u>
<b>TOTAL EXPENSES</b>	<u>14,734,647</u>	<u>-</u>	<u>-</u>	<u>14,734,647</u>	<u>16,311,922</u>	<u>-</u>	<u>-</u>	<u>16,311,922</u>
<b>CHANGE IN NET ASSETS BEFORE GAIN ON SALE OF PROPERTY AND EQUIPMENT</b>	4,283,885	(1,194,598)	-	3,089,287	599,092	4,450,984	-	5,050,076
Gain on sale of property and equipment (Note 5)	-	-	-	-	19,080	-	-	19,080
<b>CHANGE IN NET ASSETS</b>	4,283,885	(1,194,598)	-	3,089,287	618,172	4,450,984	-	5,069,156
<b>Net assets - beginning of year</b>	<u>98,458,279</u>	<u>5,119,198</u>	<u>1,103,915</u>	<u>104,681,392</u>	<u>97,840,107</u>	<u>668,214</u>	<u>1,103,915</u>	<u>99,612,236</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 102,742,164</u>	<u>\$ 3,924,600</u>	<u>\$ 1,103,915</u>	<u>\$ 107,770,679</u>	<u>\$ 98,458,279</u>	<u>\$ 5,119,198</u>	<u>\$ 1,103,915</u>	<u>\$ 104,681,392</u>

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, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

For the Year Ended December 31, 2016

	Program Services					Supporting Services		Total 2016	Total 2015	
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Outreach Programs	Total Program	Management and General			Fundraising
Salaries	\$ 2,053,834	\$ 106,125	\$ 215,063	\$ 113,394	\$ 145,226	\$ 2,633,642	\$ 623,838	\$ 1,036,191	\$ 4,293,671	\$ 4,692,812
Payroll taxes and employee benefits (Note 7)	583,849	30,144	67,241	34,661	37,336	753,231	178,420	296,355	1,228,006	1,432,994
<b>Total Salaries and Related Costs</b>	<b>2,637,683</b>	<b>136,269</b>	<b>282,304</b>	<b>148,055</b>	<b>182,562</b>	<b>3,386,873</b>	<b>802,258</b>	<b>1,332,546</b>	<b>5,521,677</b>	<b>6,125,806</b>
Occupancy	228,676	-	-	-	-	228,676	1,149	-	229,825	295,295
Special Projects	9,546	-	-	-	-	9,546	2,261	3,755	15,562	99,982
Repairs and maintenance (Note 2K)	371,770	-	-	-	-	371,770	1,868	-	373,638	380,072
Supplies (Note 2K)	301,382	-	1,299	436	867	303,984	21,996	9,547	335,527	407,706
Family activity expenses:										
Program entertainment and enrichment (Note 2K)	76,506	1,333	29,323	349,206	111,852	568,220	-	-	568,220	557,929
Trips, outings and parties	12,730	1,419	88,314	4,612	43,429	150,504	-	-	150,504	204,450
Education and counseling	-	-	-	17,326	-	17,326	-	-	17,326	58,747
Transportation and other	33,640	-	-	1,800	28,702	64,142	-	-	64,142	91,584
Hospital Family Room Construction Costs	-	-	-	-	470,013	470,013	-	-	470,013	111,568
Volunteer and staff recognition (Note 2K)	11,501	-	119,756	-	78	131,335	5,350	4,991	141,676	306,333
Staff development	10,455	-	3,073	1,833	350	15,711	2,681	3,460	21,852	81,380
Fundraising support activities (Note 2K)	-	-	-	-	-	-	-	304,155	304,155	551,101
Special events expense	-	-	-	-	-	-	-	1,926,562	1,926,562	2,557,170
Printing and publications	71,589	-	2,010	-	5,450	79,049	1,983	14,710	95,742	131,257
Professional fees (Note 2K)	21,495	-	48,008	400	61,386	131,289	359,273	49,864	540,426	590,250
Telephone	110,151	-	1,806	230	2,158	114,345	16,844	50,239	181,428	231,358
Insurance	199,846	-	-	-	-	199,846	1,004	-	200,850	135,720
Postage, messenger and other	8,849	-	289	-	43	9,181	2,175	3,703	15,059	27,901
Direct mail campaign expenses:										
Printing, postage and mailing services (Note 9)	-	-	-	349,364	-	349,364	-	1,118,308	1,467,672	1,462,199
Consulting fees and list purchases	-	-	-	-	-	-	-	96,044	96,044	83,392
Artwork and other	-	-	-	-	-	-	-	8,135	8,135	12,680
Travel	4,024	-	1,844	409	3,727	10,004	13,074	1,606	24,684	77,835
Security	336,277	-	-	-	-	336,277	1,690	-	337,967	-
Miscellaneous (Note 2K)	144,856	-	8,369	-	19	153,244	743	160,847	314,834	437,766
Bad debt	-	-	-	-	-	-	-	2,000	2,000	107,000
Depreciation	2,445,422	-	-	-	60,612	2,506,034	27,867	10,269	2,544,170	2,884,017
Interest expense and related fees (Note 6)	120,964	-	-	-	-	120,964	608	-	121,572	87,862
Amortization of deferred financing costs (Note 6)	11,825	-	-	-	-	11,825	59	-	11,884	9,421
Subtotal	7,169,187	139,021	586,395	873,671	971,248	9,739,522	1,262,883	5,100,741	16,103,146	18,107,781
Less: cost of direct benefit to donor	-	-	-	-	-	-	-	(1,368,499)	(1,368,499)	(1,795,859)
<b>TOTAL EXPENSES</b>	<b>\$ 7,169,187</b>	<b>\$ 139,021</b>	<b>\$ 586,395</b>	<b>\$ 873,671</b>	<b>\$ 971,248</b>	<b>\$ 9,739,522</b>	<b>\$ 1,262,883</b>	<b>\$ 3,732,242</b>	<b>\$ 14,734,647</b>	<b>\$ 16,311,922</b>
<b>TOTAL EXPENSES 2015</b>	<b>\$ 7,886,275</b>	<b>\$ 158,306</b>	<b>\$ 708,016</b>	<b>\$ 974,069</b>	<b>\$ 831,119</b>	<b>\$ 10,557,785</b>	<b>\$ 1,569,853</b>	<b>\$ 4,184,284</b>	<b>\$ 16,311,922</b>	

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**

For the Year Ended December 31, 2015

	Program Services					Supporting Services		Total 2015	
	Room Rental	Camp Ronald McDonald	Volunteer Activities	Education & Support	Hospital Outreach	Total Program Services	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
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
<b>Total Salaries and Related Costs</b>	<b>2,783,807</b>	<b>135,101</b>	<b>296,782</b>	<b>199,131</b>	<b>309,098</b>	<b>3,723,919</b>	<b>996,243</b>	<b>1,405,644</b>	<b>6,125,806</b>
Occupancy	295,295	-	-	-	-	295,295	-	-	295,295
Special projects	60,779	-	-	-	-	60,779	16,257	22,946	99,982
Repairs and maintenance (Note 2K)	378,173	-	-	-	-	378,173	1,899	-	380,072
Supplies (Note 2J)	342,223	-	3,036	655	2,258	348,172	45,964	13,570	407,706
Family activity expenses:									
Program entertainment and enrichment (Note 2K)	141,998	420	26,713	260,603	128,195	557,929	-	-	557,929
Trips, outings and parties	-	22,785	126,271	2,712	52,682	204,450	-	-	204,450
Education and counseling	-	-	-	58,555	192	58,747	-	-	58,747
Transportation and other	23,103	-	2,781	22,309	43,391	91,584	-	-	91,584
Hospital Family Room Construction Costs	-	-	-	-	111,568	111,568	-	-	111,568
Volunteer and staff recognition	72,145	-	166,363	-	8,815	247,323	29,637	29,373	306,333
Staff development	43,948	-	12,082	-	1,211	57,241	13,016	11,123	81,380
Fundraising support activities (Note 2K)	-	-	-	-	-	-	-	551,101	551,101
Special events expense	-	-	-	-	-	-	-	2,557,170	2,557,170
Printing and publications	97,893	-	2,269	-	4,018	104,180	5,469	21,608	131,257
Professional fees (Note 2K)	32,744	-	54,600	-	81,007	168,351	379,641	42,258	590,250
Telephone	140,192	-	1,762	-	3,620	145,574	23,023	62,761	231,358
Insurance	135,041	-	-	-	-	135,041	679	-	135,720
Postage, messenger and other	16,611	-	253	-	17	16,881	4,515	6,505	27,901
Direct mail campaign expenses:									
Printing, postage and mailing services (Note 9)	-	-	-	430,104	-	430,104	-	1,032,095	1,462,199
Consulting fees and list purchases	-	-	-	-	-	-	-	83,392	83,392
Artwork and other	-	-	-	-	-	-	-	12,680	12,680
Real estate taxes	-	-	-	-	-	-	-	-	-
Travel	12,003	-	6,578	-	23,186	41,767	24,627	11,441	77,835
Miscellaneous	427,807	-	8,526	-	1,433	437,766	-	-	437,766
Bad debt	-	-	-	-	-	-	-	107,000	107,000
Depreciation	2,785,716	-	-	-	60,428	2,846,144	28,397	9,476	2,884,017
Interest expense and related fees (Note 6)	87,423	-	-	-	-	87,423	439	-	87,862
Amortization of deferred financing costs (Note 6)	9,374	-	-	-	-	9,374	47	-	9,421
Subtotal	7,886,275	158,306	708,016	974,069	831,119	10,557,785	1,569,853	5,980,143	18,107,781
Less: cost of operations of parking garage	-	-	-	-	-	-	-	-	-
Less: cost of direct benefit to donor	-	-	-	-	-	-	-	(1,795,859)	(1,795,859)
<b>TOTAL EXPENSES</b>	<b>\$ 7,886,275</b>	<b>\$ 158,306</b>	<b>\$ 708,016</b>	<b>\$ 974,069</b>	<b>\$ 831,119</b>	<b>\$ 10,557,785</b>	<b>\$ 1,569,853</b>	<b>\$ 4,184,284</b>	<b>\$ 16,311,922</b>

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, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,089,287	\$ 5,069,156
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,544,170	2,884,017
Bad debt	2,000	107,000
Decrease in discount on pledges receivable	(38,007)	-
Amortization of deferred financing costs	11,884	9,421
Contributed property and equipment	(7,700)	(9,100)
Unrealized (gain)/loss on investments	(3,286,043)	3,261,095
Realized loss on investment sales	174,464	74,678
Gain on sale of property and equipment	-	(19,808)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses and other receivables	(55,688)	20,526
Contributions and pledges receivable	2,146,334	(5,134,304)
Increase in liabilities:		
Accounts payable and accrued expenses	3,353,475	579,573
Refundable advances	312,171	55,416
<b>Net Cash Provided by Operating Activities</b>	<b>8,246,347</b>	<b>6,897,670</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(9,028,685)	(3,417,544)
Proceeds from sale of property and equipment	-	63,000
Proceeds from investment sales	13,336,750	6,591,832
Purchases of investments	(8,812,734)	(7,301,850)
Retirement of restricted funds	(661,554)	(18,474)
<b>Net Cash Used in Investing Activities</b>	<b>(5,166,223)</b>	<b>(4,083,036)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of bond payable	(3,500,000)	(1,100,000)
<b>Net Cash Used in Financing Activities</b>	<b>(3,500,000)</b>	<b>(1,100,000)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(419,876)</b>	<b>1,714,634</b>
Cash - beginning of year	4,801,185	3,086,551
<b>CASH - END OF YEAR</b>	<b>\$ 4,381,309</b>	<b>\$ 4,801,185</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 7,052	\$ 2,074
<b>Noncash Investing Activities</b>		
Contributed property and equipment	\$ 7,700	\$ 9,100

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



**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Ronald McDonald House of New York, Inc. (the “Organization”), a place that keeps families close, 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 49 countries around the world, 365 days per year and has assisted over 35,000 families in its 38-year history. Since 1978, the Organization has provided families with a supportive and caring environment consisting of 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 currently 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 Organization is in the process of adding 11 new rooms to the facility and will be able to accommodate 95 families per night when completed in 2017.

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. The Organization has a coffee cart program at one of our partner hospitals to give a well-deserved snack to thousands of individuals during the year in the pediatric unit. In 2017, the Organization opened 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, 2016 AND 2015**

**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 the Organization expends funds, the corresponding amount is transferred to undesignated net assets. During 2015, the Organization made an additional designation in the amount of \$200,000 and 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 Outreach programs. During 2016, the Organization appropriated \$8,478,804 from the Board Designated Funds for expenditure to further the mission, which includes \$8,354,784 for the project to expand the facility from 84 rooms to 95 rooms and \$124,020 for the Outreach 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, 2016 and 2015.

- 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 discount factor used is computed based on risk adjusted interest rates for the expected term of the promises to give applicable in the years in which the promises are made by the donor, if material. Amortization of the discounts is included in contribution income.

**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of December 31, 2016 and 2015, 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.

Room rental receivable and revenue is recorded when the family and child check in to stay at the Organization. As of December 31, 2016 and 2015, 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.

Conditional promises to give are not included as support until the conditions are substantially met.

- 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, 2016 and 2015, the Organization recorded contributed goods and services amounting to \$608,701 and \$489,866, 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, 2016 and 2015, a member of the Organization’s Board of Directors was the CEO of a public relations firm that donated approximately \$190,000 and \$121,000 of services to the Organization, which is shown below as contributed program entertainment and enrichment and professional fees. During 2016 and 2015, in-kind contributions and gifts in-kind included the following:

	2016	2015
Capitalized property and equipment	\$ 7,700	\$ 9,100
Contributed program entertainment and enrichment	279,924	184,542
Contributed professional fees	47,425	54,297
Contributed supplies	123,956	57,051
Contributed repairs and maintenance	7,420	21,983
Contributed fundraising support activities	142,276	162,893
Total in-kind contributions	\$ 608,701	\$ 489,866

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 \$990,720 and \$787,000, respectively, for the years ended December 31, 2016 and 2015.

**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts due in less than one year	\$ 1,607,141	\$ 2,674,475
Amounts due from one to five years	<u>2,623,000</u>	<u>3,704,000</u>
	4,230,141	6,378,475
Less: Unamortized discount 1.3%	(38,335)	(76,432)
Allowance for uncollectible accounts	<u>(200,000)</u>	<u>(200,000)</u>
	<u>\$ 3,991,806</u>	<u>\$ 6,102,133</u>

**NOTE 4 – INVESTMENTS**

Investments consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	
Cash	\$ 4,360,715	\$ 2,311,164	
Money market funds	5,372,861	4,671,903	
Fixed income securities:			
Mutual funds	8,225,474	11,086,141	
International bonds	3,199	2,831	
Mutual funds:			
U.S. large cap	7,709,505	8,228,517	
U.S. mid/small cap	2,423,688	2,243,709	
Non U.S. equities	<u>6,105,478</u>	<u>4,965,177</u>	
Subtotal	<u>\$ 34,200,920</u>	<u>\$ 33,509,442</u>	
<b>Alternative investments:</b>			
Hedge funds	\$ 7,351,174	\$ 10,574,106	A
Limited partnerships	35,038,804	33,294,611	B
Other investments	<u>1,943,505</u>	<u>1,245,573</u>	C
Subtotal	<u>44,333,483</u>	<u>45,114,290</u>	
<b>Total Investments</b>	<u>\$ 78,534,403</u>	<u>\$ 78,623,732</u>	
<b>Restricted funds:</b>			
Cash	\$ -	\$ 642,680	
Mutual Funds	<u>461,748</u>	<u>480,622</u>	
<b>Total Restricted Funds</b>	<u>461,748</u>	<u>1,123,302</u>	
<b>Total Investments and Restricted Funds</b>	<u>\$ 78,996,151</u>	<u>\$ 79,747,034</u>	

**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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 statements of financial position and statements of activities.

Included in investments for the years ended December 31, 2016 and 2015, respectively were \$0 and \$642,680, held for bond repayment, \$461,748 and \$480,622, held for pension and deferred compensation plans and, \$1,103,915 held for endowment as of December 31, 2016 and 2015.

Interest receivable of \$13,237 and \$10,409 as of December 31, 2016 and 2015 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 476,573	\$ 545,229
Other investment income	96,226	140,584
Unrealized (loss) gain on investments	3,286,043	(3,261,095)
Realized (loss) gain on investment sales	<u>(174,464)</u>	<u>(74,678)</u>
	<u>\$ 3,684,378</u>	<u>\$ (2,649,960)</u>

The Organization incurred investment expenses of \$104,670 and \$181,007 during the years ended December 31, 2016 and 2015, 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, 2016 AND 2015**

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</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	154,032	3 years
Furniture, fixtures and equipment	19,164,189	18,482,589	3-10 years
Construction in progress	<u>10,302,332</u>	<u>1,947,547</u>	
Total cost	56,243,291	47,206,906	
Less: Accumulated depreciation	<u>(30,388,738)</u>	<u>(27,844,568)</u>	
Net book value	<u>\$ 25,854,553</u>	<u>\$ 19,362,338</u>	

Depreciation expense amounted to \$2,544,170 and \$2,884,017 for the years ended December 31, 2016 and 2015, respectively.

Construction in progress represents certain improvements to the Organization that had not been completed as of December 31, 2016. There is approximately \$15,800,000 in estimated costs to complete the “Expansion Project” that began subsequent to December 31, 2016 and therefore is not included in construction in progress in the financial statements. The Expansion Project is expected to be completed in the summer of 2017.

During the years ended December 31, 2016 and 2015, the Organization received donated property and equipment that amounted to \$7,700 and \$9,100, 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.

**NOTE 6 – BONDS PAYABLE**

Bonds payable amounted to \$3,500,000 as of December 31, 2015, and consisted of variable rate tax-exempt bonds. Proceeds were used for the construction of the House on East 73<sup>rd</sup> Street in Manhattan, completed in 1993. The Bonds were completely retired in 2016 in anticipation of the new financing related to the Expansion Project. See Note 13 for additional information.

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, the interest rate on the bonds was 0.01% per annum. The Bonds had a maturity of 30 years and were due May 15, 2021, but the Organization could repay the payments at any time and retire the bond issue. The Organization fully retired the Bonds in 2016.

The Bonds were collateralized by a letter of credit in the amount of the outstanding bond balance with one bank. The letter of credit had been extended through November 8, 2016. In addition, the Organization had 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, 2016 AND 2015**

**NOTE 6 – BONDS PAYABLE (Continued)**

For the years ended December 31, 2016 and 2015, activity related to bond principal consisted of the following:

	<u>2016</u>	<u>2015</u>
Bonds payable, at the beginning of the year	\$ 3,500,000	\$ 4,600,000
Sinking fund payment for the year	<u>(3,500,000)</u>	<u>(1,100,000)</u>
Bonds payable, at the end of the year	<u>\$ -</u>	<u>\$ 3,500,000</u>

The Organization remitted monthly payments of approximately \$91,667 to a Trustee towards the annual installment of \$1,100,000 that was due on May 1, 2016. In addition, the Organization remitted \$2,400,000 on November 2, 2016. As of December 31, 2015, the debt sinking fund deposit with the Bond Trustee amounted to \$642,680.

In connection with the bonds payable, the Organization incurred financing costs in the amount of \$615,760, which were amortized over the life of the bonds which approximates the effective interest method. Interest expense, related fees and amortization expense amounted to \$133,456 and \$97,283 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, deferred financing costs consist of the following:

	<u>2016</u>	<u>2015</u>
Deferred financing costs	\$ 615,760	\$ 615,760
Less: Accumulated amortization	<u>(615,760)</u>	<u>(603,876)</u>
Deferred financing costs	<u>\$ -</u>	<u>\$ 11,884</u>

In 2016, the Organization determined it would finance a portion of the “Expansion Project”. The Organization accepted a proposal from JP Morgan Chase Bank, NA (the “Bank”) for a fifteen million dollar financing facility (the Facility). On April 3, 2017, the Organization signed a commitment letter for the proposal consisting of a five million dollar variable interest tranche and a ten million dollar fixed interest tranche. The Facility has a 10-year maturity, with interest and principal to be paid on a monthly basis. The Organization and the Bank are currently finalizing the credit and security agreements for the Facility, and expect the transaction to close by the end of May 2017.

**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, 2016 and 2015 for the 401(k) Plans was approximately \$272,000 and \$295,000, 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 \$123,282 and \$108,709 at December 31, 2016 and 2015, respectively, are included in restricted funds and accrued expenses and liabilities in the statements of financial position.

In November 2011, the Organization instituted a Deferred Compensation Plan (the “Plan”) under Section 457(b) of the Code covering key employees. The deferred compensation liabilities amounted to \$338,466 and \$371,913 as of December 31, 2016 and 2015, 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.

**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 7 – PENSION & RETIREMENT PLANS (Continued)**

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, 2016 and 2015, respectfully, there are no employer contributions to the 403(b) plan, only employee salary deferrals that are contributed on a biweekly basis. The Organization can make contributions to the 457(f) plan, at the discretion of the Executive Committee on an annual basis. In 2016, the Organization discontinued the 457(f) plan. There were no contributions to the 457(f) plan for the years ended December 31, 2016 and December 2015, respectively.

**NOTE 8 – NET ASSETS**

Temporarily restricted net assets are available for the following as of December 31, 2016 and 2015:

	2016	2015
Purpose restricted	\$ 56,243	\$ 119,198
Time restricted	3,868,357	5,000,000
	\$ 3,924,600	\$ 5,119,198

For the years ended December 31, 2016 and 2015, temporarily restricted net assets in the amount of \$1,842,523 and \$1,880,389, 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, 2016 and 2015 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, 2016 and 2015) 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, 2016 AND 2015**

**NOTE 8 – NET ASSETS (Continued)**

Changes in endowment net assets for year ended December 31, 2016:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowments</u>
Investment activity:				
Interest and dividends	\$ 34,384	\$ 23,310	\$ -	\$ 57,694
Unrealized (loss)gain on investments	<u>22,313</u>	<u>(4,243)</u>	<u>-</u>	<u>18,070</u>
Total investment activity	<u>56,697</u>	<u>19,067</u>	<u>-</u>	<u>75,764</u>
Amount appropriated for expenditure	<u>(8,478,804)</u>	<u>(19,067)</u>	<u>-</u>	<u>(8,497,871)</u>
Endowment net assets, beginning of year	<u>28,258,195</u>	<u>-</u>	<u>1,103,915</u>	<u>29,362,110</u>
Endowment net assets, end of year	<u>\$19,836,088</u>	<u>\$ -</u>	<u>\$ 1,103,915</u>	<u>\$ 20,940,003</u>

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

	<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>(41,257)</u>	<u>(16,312)</u>	<u>-</u>	<u>(57,569)</u>
Total investment activity	<u>(7,682)</u>	<u>8,828</u>	<u>-</u>	<u>1,146</u>
Amount transferred from unrestricted funds to Board Designated	200,000		-	200,000
Amount appropriated for expenditure	<u>(2,059,123)</u>	<u>(8,828)</u>	<u>-</u>	<u>(2,067,951)</u>
Endowment net assets, beginning of year	<u>30,125,000</u>	<u>-</u>	<u>1,103,915</u>	<u>31,228,915</u>
Endowment net assets, end of year	<u>\$28,258,195</u>	<u>\$ -</u>	<u>\$ 1,103,915</u>	<u>\$ 29,362,110</u>

For the years ended December 31, 2016 and 2015, endowment net assets of \$20,940,003 and \$29,362,110, 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, 2016 and 2015, the Organization incurred joint costs of \$1,093,754 and \$1,071,362, respectively, for informational materials and activities that were included in fundraising appeals. During the year ended December 31, 2016, \$349,364 was allocated to program expenses and \$744,390 was allocated to fundraising. During the year ended December 31, 2015, \$430,104 was allocated to program expenses and \$641,258 was allocated to fundraising.

**RONALD MCDONALD HOUSE OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015, there was approximately \$2,200,000 and \$2,700,000, 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, 2016 and 2015, there was approximately \$513,000 and \$505,000, respectively, of cash and cash equivalents held by banks that exceeded the amount covered by the (“SIPC”) limits. Such excess amounts include outstanding checks.
- b) During 2015, 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 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.

***B. Uncertain Tax Positions***

The Organization believes it had no uncertain tax positions as of December 31, 2016 and 2015 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.

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, 2016 and 2015, no such transfers between fair value levels occurred.

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**NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)**

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, 2016 and 2015. The financial statements of these alternative investments are prepared in accordance with GAAP and are audited annually by independent auditors. As of December 31, 2016 and 2015, 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, 2016, are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2016</u>
<b>ASSETS CARRIED AT FAIR VALUE:</b>			
Investments:			
Money market funds	\$ 5,372,861	\$ -	\$ 5,372,861
Fixed income securities:			
Mutual funds	8,225,474	-	8,225,474
International bonds	3,199	-	3,199
Mutual funds:			
U.S. large cap	7,709,505	-	7,709,505
U.S. mid cap/small cap	2,423,688	-	2,423,688
Non U.S. equities	6,105,478	-	6,105,478
Alternative investments:			
Hedge Funds	-	7,351,174	7,351,174
Limited Partnerships	-	35,038,804	35,038,804
Other investments	-	1,943,505	1,943,505
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 29,840,205</u></b>	<b><u>\$ 44,333,483</u></b>	<b><u>\$ 74,173,688</u></b>

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>
<b>ASSETS CARRIED AT FAIR VALUE:</b>			
Investments:			
Money market funds	\$ 4,671,903	\$ -	\$ 4,671,903
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
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 31,198,278</u></b>	<b><u>\$ 45,114,290</u></b>	<b><u>\$ 76,312,568</u></b>

Excluded from the fair value measurements above are cash totaling \$4,360,715 and \$2,311,164 for the years ended December 31, 2016 and 2015, respectively, which are included in investments on the accompanying statements of financial position. (See Note 4)

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**NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)**

In addition, restricted cash and mutual funds which are classified as Level 1, amounting to \$461,748 and \$1,123,302 for the years ended December 31, 2016 and 2015, respectively, are included in restricted funds on the accompanying statements of financial position. (See Note 4)

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.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the statement of financial position through April 27, 2017, the date the financial statements were available to be issued. Other than what is disclosed in Notes 5 and 6, no other events have occurred subsequent to the statement of financial position date that would require adjustment or disclosure in the financial statements.