

RONALD MCDONALD HOUSE CHARITIES
OF IDAHO, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Ronald McDonald House Charities of Idaho, Inc.
Boise, Idaho

We have audited the accompanying statements of financial position of the Ronald McDonald House Charities of Idaho, Inc. as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows, and functional expenses and the related notes to the financial statements for the years then ended.

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 controls 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risk 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 organization's preparation and fair presentation of the financial statements in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 Ronald McDonald House Charities of Idaho, Inc. as of December 31, 2014 and 2013, and the changes in its net assets, cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CRANDALL-SWENSON, PLLC

Boise, Idaho
June 19, 2015

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 306,172	\$ 355,837
Accounts receivable	-	-
Prepaid expenses	15,910	92,584
TOTAL CURRENT ASSETS	322,082	448,421
Noncurrent Assets:		
Investments	4,547,848	4,459,866
Property and equipment	2,449,269	2,305,366
Less accumulated depreciation	(1,315,827)	(1,271,728)
	1,133,442	1,033,638
TOTAL NONCURRENT ASSETS	5,681,290	5,493,504
	\$ 6,003,372	\$ 5,941,925
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 13,224	\$ 14,708
Accrued salaries and related payroll taxes	20,663	15,776
Accrued vacation	13,984	14,334
TOTAL CURRENT LIABILITIES	47,871	44,818
Noncurrent Liabilities:		
Due to Ronald McDonald House Charities (Global)	-	-
Net Assets:		
Unrestricted:		
Board designated	1,900,000	1,900,000
Undesignated	3,309,301	3,250,907
	5,209,301	5,150,907
Temporarily restricted	250,000	250,000
Permanently Restricted Endowment Fund	496,200	496,200
	5,955,501	5,897,107
	\$ 6,003,372	\$ 5,941,925

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

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Revenues:		
Contributions	\$ 579,631	\$ 556,938
Donated goods and services	72,930	72,112
Gross revenue from special events	320,988	268,006
Less special events direct costs	(102,569)	(98,959)
Net revenue from special events	218,419	169,047
Room charges	14,817	10,712
Other revenues	6,284	20,530
Gain (loss) on disposal of fixed assets	(7,136)	761
Investment gains (losses) net of investment fees	88,187	507,459
	973,132	1,337,559
Assets released from restrictions	-	-
Total revenues	973,132	1,337,559
Expenses:		
Program services:		
House operations	617,697	488,056
Children and family services	24,370	21,768
Management and general	165,799	152,787
Fund-raising	87,747	88,769
Unallocated payments to Global	19,125	11,850
	914,738	763,230
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	58,394	574,329
Temporarily Restricted Net Assets:		
Contributions received	-	250,000
Net assets released from restrictions	-	-
	-	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	250,000
INCREASE IN NET ASSETS	58,394	824,329
Net assets at beginning of year	5,897,107	5,072,778
NET ASSETS AT END OF YEAR	\$ 5,955,501	\$ 5,897,107

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

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 58,394	\$ 824,329
Adjustments to reconcile changes in net assets to net assets provided (used) by operating activities:		
Depreciation	90,919	89,193
Disposal of fixed assets	7,136	-
Net losses (gains) on investments	216,082	(124,936)
Other accounts receivable	-	-
Prepaid expenses	76,674	(82,756)
Accounts payable	(1,484)	4,740
Accrued salaries and related payroll taxes	4,887	(1,231)
Accrued vacation	(350)	1,430
Noncurrent liabilities	-	-
NET CASH PROVIDED BY OPERATIONS	452,258	710,769
Cash Flows From Investing Activities:		
Increase in investments	(304,064)	(529,477)
Increase in building improvements	(173,204)	(10,198)
Purchase of furnishings and equipment	(24,655)	-
Proceeds from sale of equipment	-	-
Receipt of donated equipment	-	(2,310)
NET CASH USED BY INVESTING ACTIVITIES	(501,923)	(541,985)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,665)	168,784
Cash and cash equivalents at beginning of year	355,837	187,053
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 306,172	\$ 355,837

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

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>
Personnel costs:				
Salaries and wages	\$ 326,920	\$ 215,442	\$ 65,929	\$ 45,549
Payroll tax expense	28,180	18,571	5,683	3,926
Employee benefits	45,238	29,812	9,123	6,303
Donated services	30,921	30,921	-	-
TOTAL PERSONNEL COSTS	<u>431,259</u>	<u>294,746</u>	<u>80,735</u>	<u>55,778</u>
Bank charges	5,842	-	5,842	-
Board meetings	26,062	-	26,062	-
Computer expense	2,937	-	2,937	-
Canister expense	14,768	-	-	14,768
Direct mail	5,252	-	-	5,252
Dues & subscriptions	2,185	-	2,185	-
Fund-raising	2,642	-	-	2,642
Children and family services grant	24,370	24,370	-	-
Community partnership expense	87,883	87,883	-	-
Insurance	22,662	21,912	750	-
Miscellaneous expense	652	-	652	-
Newsletter	18,639	9,319	3,728	5,592
Office expense	13,542	-	13,542	-
Postage	5,766	2,884	1,441	1,441
Printing	4,039	1,211	1,617	1,211
Professional fees	25,245	-	25,245	-
Promotions	1,077	1,077	-	-
Repairs and maintenance	36,978	36,978	-	-
Supplies	23,351	23,351	-	-
Telephone	5,316	3,190	1,063	1,063
Travel and training	11,938	11,938	-	-
Utilities	24,678	24,678	-	-
Van expense	185	185	-	-
Volunteer recognition	7,426	7,426	-	-
Total expense before depreciation	<u>804,694</u>	<u>551,148</u>	<u>165,799</u>	<u>87,747</u>
Depreciation expense	90,919	90,919	-	-
	<u>\$ 895,613</u>	<u>\$ 642,067</u>	<u>\$ 165,799</u>	<u>\$ 87,747</u>

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

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>
Personnel costs:				
Salaries and wages	\$ 289,822	\$ 176,189	\$ 71,499	\$ 42,134
Payroll tax expense	26,818	16,303	6,616	3,899
Employee benefits	42,992	26,136	10,606	6,250
Donated services	28,115	28,115	-	-
TOTAL PERSONNEL COSTS	<u>387,747</u>	<u>246,743</u>	<u>88,721</u>	<u>52,283</u>
Bank charges	6,384	-	6,384	-
Board meetings	11,537	-	11,537	-
Computer expense	3,148	-	3,148	-
Canister expense	19,507	-	-	19,507
Direct mail	7,206	-	-	7,206
Dues & subscriptions	2,315	-	2,315	-
Fund-raising	1,248	-	-	1,248
Children and family services grant	21,768	21,768	-	-
Community partnership expense	-	-	-	-
Insurance	22,629	21,879	750	-
Miscellaneous expense	160	-	160	-
Newsletter	19,357	9,679	3,871	5,807
Office expense	9,242	-	9,242	-
Postage	2,862	1,430	716	716
Printing	3,160	948	1,264	948
Professional fees	23,625	-	23,625	-
Promotions	1,495	1,495	-	-
Repairs and maintenance	30,978	30,978	-	-
Supplies	37,524	37,524	-	-
Telephone	5,269	3,161	1,054	1,054
Travel and training	18,521	18,521	-	-
Utilities	19,508	19,508	-	-
Van expense	396	396	-	-
Volunteer recognition	6,601	6,601	-	-
Total expense before depreciation	<u>662,187</u>	<u>420,631</u>	<u>152,787</u>	<u>88,769</u>
Depreciation expense	89,193	89,193	-	-
	<u>\$ 751,380</u>	<u>\$ 509,824</u>	<u>\$ 152,787</u>	<u>\$ 88,769</u>

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

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note A - Organization and Purpose

The Ronald McDonald House Charities of Idaho, Inc. is an Idaho not-for-profit corporation. The Organization operates the Idaho Ronald McDonald House which provides a temporary home away from home for families of ill or injured children receiving treatment at Boise medical facilities. The Organization also invests in community programs that promote the health and well being of children. The Organization derives funds to support its activities from charitable donations, special fund-raising events, investment earnings, and fees for use of the facilities.

Note B - Significant Accounting Policies

Significant Estimates in Preparing Financial Statements:

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting:

The Organization has provided the disclosure and display requirements of the Financial Accounting Standards Board (FASB) ASC 958-205-45-15, "*Financial Statements of Not-for-Profit Organizations*". Accordingly, the net assets of the Organization are reported in unrestricted, temporarily restricted and permanently restricted net assets.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time

Permanently restricted net assets - Net assets permanently restricted by the donor

Cash and Cash Equivalents:

Cash and cash equivalents include deposits in checking and savings accounts.

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note B - Significant Accounting Policies (Continued)

Investments:

Investments consist primarily of assets invested in marketable equity and debt securities and money-market accounts. The Organization accounts for investments in accordance with FASB ASC 320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Investment income or loss, including realized and unrealized appreciation/depreciation on investments, interest and dividends, is included in the change in unrestricted net assets unless its use is temporarily or permanently restricted by donor stipulations or by law. Donor-restricted investment income is reported as an increase or decrease in temporarily restricted net assets or permanently restricted net assets.

Investments are exposed to various risks such as significant world events, interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements:

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset and liability. All of the Organization's fair value measurements fall within the level one hierarchy.

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note B - Significant Accounting Policies (Continued)

Property and equipment:

Effective during 2014, the Organization changed its policy for capitalizing property and equipment costs from \$750 to \$5,000. Purchases of less than capital limits are categorized as expenses. Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as in-kind contributions at their estimated fair value. Such contributions are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies restricted net assets to unrestricted net assets at that time. Fixed assets are depreciated using the straight-line method based on estimated useful lives of individual assets. Asset classification and estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Buildings and improvements	30 years
Land improvements	15 years
Signage	15 years
Furniture and fixtures	7 years
Office Equipment	5 years
Vehicles	5 years

Pledges Receivable and Public Support:

When the Organization receives unconditional promises to give (pledges) they are recognized as revenue in the period such pledges are received. Conditional promises are recorded as revenue when the conditions are met. Public support is generally recorded at the time of receipt. Donated services and contributions of securities are recorded at their fair value.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

In-Kind Contributed Support:

The Organization records various types of in-kind support including equipment, professional services, advertising, and materials. Recognition of contributed support and facilities is described in Note H. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or additions to property and equipment.

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note B - Significant Accounting Policies (Continued)

In-Kind Contributed Support (Continued):

Additionally, the Organization receives a significant amount of skilled, contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Contributed noncash assets are reflected as contributions at their estimated fair market values in the period received, to the extent that a fair market value is determinable. Contributed services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income Taxes:

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of December 31, 2014 and 2013, the unrecognized tax benefit accruals were zero.

Subsequent events:

Management has evaluated subsequent events through June 19, 2015, the date the financial statements were available to be issued.

Note C - Investments

Investment Policy

The Organization's investment objectives are to provide a long-term annual rate of return in excess of 5.8% over a 25-year time period. The investment policy requires that, to achieve diversification, portfolio asset allocations will be 65% equity and 35% fixed income and non-equity investments. A range of + or - 10% has been identified as an acceptable degree of variation in the portfolio's equity/non-equity mix. The policy also requires that no one stock will comprise more than 5% of the equity allocation with the exception of McDonald's Corporation which can have a maximum limit of 15%. The Organization participates in the McDonald's Charities Investment Program. This participation allows for low cost investment management services.

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note C - Investments (Continued)

Operating Reserve Spending Policy

The Organization's operating reserve spending policy allows for all budgeted contributions to be available for spending unless otherwise directed. Investment income and earnings are available for spending. Maximum spending is determined based on 5% of the Operating reserve market value. If the maximum spending limit exceeds the current year's investment income and earnings, a portion of the investment portfolio can be liquidated to make up the difference.

Investments Summary

Investments consist of debt and equity securities and cash invested in managed accounts through a brokerage house. In addition, there is a time share investment that was donated to the House. The following is a summary of investments:

	<u>2014</u>	<u>2013</u>
Cash in money market fund	\$ 165,534	\$ 149,386
Bond mutual funds	1,884,960	1,871,283
Equity mutual funds	2,051,369	1,977,446
McDonald's Corporation stock	442,826	458,564
Other stock	160	188
Time share	<u>2,999</u>	<u>2,999</u>
	<u>\$4,547,848</u>	<u>\$4,459,866</u>

Investment income from cash and investments is comprised of the following:

	<u>2014</u>	<u>2013</u>
Dividends and interest	\$ 160,110	\$ 96,812
Net gains (losses) on investments	<u>(71,923)</u>	<u>410,647</u>
Total Investment earnings (losses)	<u>\$ 88,187</u>	<u>\$ 507,459</u>

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note D - Property and Equipment

A summary of property and equipment follows:

	2014	2013
Land	\$ 65,744	\$ 65,744
Buildings	1,610,275	1,610,275
Building improvements	321,147	147,943
Landscaping	72,506	72,506
Furnishings and fixtures	248,582	297,141
Office equipment	103,228	87,470
Signage	11,706	8,206
Vehicles	16,081	16,081
	2,449,269	2,305,366
Less accumulated depreciation	1,315,827	1,271,728
	\$1,133,442	\$1,033,638

Note E - Restricted and Board Designated Assets

Permanently restricted net assets consist of endowment fund investments in the amount of \$496,200 and are to be held indefinitely. The income from permanently restricted net assets is expendable to support the operations of the House.

In addition to the above donor-implied restrictions, the Board has designated a portion of its unrestricted net assets for specific purposes. The designations are as follows:

Operating reserve	\$ 1,000,000
Future expansion	750,000
Capital improvements	150,000
	\$ 1,900,000

Note F - Children & Family Services Grant

In accordance with the mission of The Ronald McDonald House, funds have been granted to other nonprofit organizations who provide services to children and families. For the years ended December 31, 2014 and 2013, grant funds totaling \$24,370 and \$21,768 respectively, were awarded.

Note G - Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note H - In-Kind Contributions

During 2014 and 2013 the House received donations of equipment valued at \$1,116 and \$2,310 respectively. The Ronald McDonald House also recognized contribution revenue for certain services and supplies at their fair value. The services and supplies include the following:

	<u>2014</u>	<u>2013</u>
House Operations -		
Receptionist and cleaning services	\$ 33,347	\$ 28,115
Cable and Wi-Fi service	2,750	2,750
Cleaning and maintenance supplies	1,084	7,815
Lawncare and other maintenance services	<u>13,147</u>	<u>9,505</u>
	50,328	48,185
Management and General -		
Accounting & other professional services	10,064	10,830
Legal services	2,100	3,750
Travel	<u>1,200</u>	<u>800</u>
	13,364	15,380
Special Events -		
Event food and other expense	<u>8,122</u>	<u>6,237</u>
Total contributed services and supplies	<u>\$ 71,814</u>	<u>\$ 69,802</u>

In addition, the Ronald McDonald House received a significant amount of donated services from unpaid volunteers who assisted in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition has not been met.

Note I - Concentrations

Credit Risk for Cash and Investments in Financial Institutions

Due to an increase in FDIC insured limits to \$250,000, there are no uninsured cash balances at December 31, 2014 and 2013.

The Ronald McDonald House has significant investments in money market and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by the investment committee of the Board and placed in high-quality financial institutions. Although the market values of investments are subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note I - Concentrations (Continued)

Fund-Raising Events

The Ronald McDonald House participates in two charity tournaments each year, a golf tournament and a sporting clays tournament. Net revenues from the tournaments in 2014 and 2013 represented approximately 24% and 20%, respectively, of total unrestricted revenue (excluding investment income or loss). If the events were canceled, the House would need to replace that revenue from other sources to maintain its current level of operations.

Note J - Related Parties

Ronald McDonald House Charities of Idaho is licensed by Ronald McDonald House Charities (Global) to use the Ronald McDonald House name. Employee benefit programs and investment management services are handled through Global. For the years ended December 31, 2014 and 2013 the Organization remitted \$39,539 and \$35,997 respectively to global for employee benefits.

In addition, a portion of canister donations received through McDonald's Restaurants are submitted to Global. For the years ended December 31, 2014 and 2013 the Organization remitted \$19,125 and \$11,850 respectively to Global as their portion of canister donations.

Note K - Permanently Restricted Endowment

The endowment consists of a donation from the Kroc Family for House operations. Terms of the endowment allow for all earnings to be used for operations of the House. The original endowment in the amount of \$496,200 is reported as a permanently restricted net asset. Originally the endowment consisted of McDonald's Corporation stock. However, in the interest of diversification, the Organization has sold some of the McDonald's Corporation stock and invested in debt and equity mutual funds.

The composition of the endowment net assets is as follows:

	2014	2013
McDonald's Corporation stock	\$ 442,826	\$ 458,564
Bond and equity mutual funds	<u>53,374</u>	<u>37,636</u>
	<u>\$ 496,200</u>	<u>\$ 496,200</u>

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note K - Permanently Restricted Endowment (Continued)

The endowment net assets are reported as permanently restricted. As all earnings from the endowment are available for house operations each year they have been recorded as unrestricted revenue as investment gains.

Endowment investment activity for the year is composed of the following:

	<u>2014</u>	<u>2013</u>
McDonald's Corporation dividends	\$15,501	\$ 14,745
Dividends from mutual funds	<u>802</u>	<u>446</u>
	<u>\$ 16,303</u>	<u>\$ 15,191</u>

An annual reconciliation of the endowment is as follows:

	<u>2014</u>	<u>2013</u>
Balances at beginning of year	\$ 496,200	\$ 496,200
Earnings on investments	16,303	15,191
Income recorded as unrestricted net assets	<u>(16,303)</u>	<u>(15,191)</u>
Balance at end of year	<u>\$ 496,200</u>	<u>\$ 496,200</u>

The permanently restricted endowment is managed and invested through a brokerage company. Guidelines for investments are provided by the Organization's Investment Committee.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gift from the Kroc Family. The Organization believes it has managed the permanently restricted endowment in a prudent manner based on the investment policies of the Organization.