

RONALD MCDONALD HOUSE CHARITIES
OF IDAHO, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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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, 2012 and 2011, and the related statements of activities, 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 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, 2012 and 2011, 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, GLEASON & WADSWORTH

Boise, Idaho
June 27, 2013

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 187,053	\$ 171,687
Accounts receivable	-	11,395
Prepaid expenses	9,828	9,036
TOTAL CURRENT ASSETS	196,881	192,118
Noncurrent Assets:		
Investments	3,805,452	3,495,535
Property and equipment	2,292,859	2,231,770
Less accumulated depreciation	(1,182,535)	(1,109,317)
	1,110,324	1,122,453
TOTAL NONCURRENT ASSETS	4,915,776	4,617,988
	\$ 5,112,657	\$ 4,810,106
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 9,968	\$ 16,480
Accrued salaries and related payroll taxes	17,007	15,627
Accrued vacation	12,904	11,566
TOTAL CURRENT LIABILITIES	39,879	43,673
Noncurrent Liabilities:		
Due to Ronald McDonald House Charities (Global)	-	29,651
Net Assets:		
Unrestricted:		
Board designated	1,810,000	1,810,000
Undesignated	2,766,578	2,430,582
	4,576,578	4,240,582
Temporarily restricted	-	-
Permanently Restricted Endowment Fund	496,200	496,200
	5,072,778	4,736,782
	\$ 5,112,657	\$ 4,810,106

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

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Unrestricted Net Assets:		
Revenues:		
Contributions - other	\$ 450,031	\$ 473,125
In-kind contributions - other	98,758	91,258
Special events, net of expenses of \$73,914 and \$67,609 for 2012 and 2011 respectively	181,626	132,855
Room charges	14,901	20,414
Other revenues	6,709	601
Loss on disposal of fixed assets	(3,942)	(6,134)
Investment gains (losses) net of investment fees	309,917	(19,202)
	1,058,000	692,917
Assets released from restrictions	-	15,000
Total revenues	1,058,000	707,917
Expenses:		
Program services:		
House operations	468,114	438,110
Children and family services grants	27,506	20,744
Management and general	100,991	116,202
Fund-raising	109,960	105,771
Unallocated payments to Global	15,433	13,299
	722,004	694,126
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	335,996	13,791
Temporarily Restricted Net Assets:		
Contributions received	-	-
Net assets released from restrictions	-	(15,000)
	-	(15,000)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(15,000)
INCREASE IN NET ASSETS	335,996	(1,209)
Net assets at beginning of year	4,736,782	4,737,991
NET ASSETS AT END OF YEAR	\$ 5,072,778	\$ 4,736,782

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, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 335,996	\$ (1,209)
Adjustments to reconcile changes in net assets to net assets provided (used) by operating activities:		
Depreciation	84,799	79,318
Disposal of fixed assets	3,942	6,134
Net losses (gains) on investments	(212,602)	111,085
Other accounts receivable	11,395	(11,395)
Prepaid expenses	(792)	222
Accounts payable	(6,512)	(683)
Accrued salaries and related payroll taxes	1,380	3,547
Accrued vacation	1,338	1,309
Noncurrent liabilities	(29,651)	(16,738)
NET CASH PROVIDED BY OPERATIONS	189,293	171,590
 Cash Flows From Investing Activities:		
Increase in investments	(97,315)	(136,934)
Increase in building improvements	(17,222)	(8,814)
Purchase of furnishings and equipment	(12,066)	(34,021)
Proceeds from sale of equipment	-	840
Receipt of donated equipment	(47,324)	-
NET CASH USED BY INVESTING ACTIVITIES	(173,927)	(178,929)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,366	(7,339)
 Cash and cash equivalents at beginning of year	171,687	179,026
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 187,053	\$ 171,687

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, 2012

	Total	Program Services	Management and General	Fund- raising
Personnel costs:				
Salaries and wages	\$ 284,189	\$ 174,859	\$ 45,195	\$ 64,135
Payroll tax expense	27,915	17,176	4,439	6,300
Employee benefits	39,285	24,172	6,247	8,866
Donated services	21,216	21,216	-	-
TOTAL PERSONNEL COSTS	<u>372,605</u>	<u>237,423</u>	<u>55,881</u>	<u>79,301</u>
Bank charges	4,083	-	4,083	-
Board meetings	3,033	-	3,033	-
Computer expense	2,462	-	2,462	-
Canister expense	14,270	-	-	14,270
Direct mail	6,480	-	-	6,480
Dues & subscriptions	1,135	-	1,135	-
Fund-raising	2,298	-	-	2,298
Children and family services grant	27,506	27,506	-	-
Insurance	21,099	20,349	750	-
Miscellaneous expense	159	-	159	-
Newsletter	17,408	8,704	3,482	5,222
Office expense	3,257	-	3,257	-
Postage	3,528	1,764	882	882
Printing	1,680	504	672	504
Professional fees	24,191	-	24,191	-
Promotions	432	432	-	-
Repairs and maintenance	33,500	33,500	-	-
Supplies	40,888	40,888	-	-
Telephone	5,015	3,008	1,004	1,003
Travel and training	6,363	6,363	-	-
Utilities	21,696	21,696	-	-
Van expense	241	241	-	-
Volunteer recognition	8,443	8,443	-	-
Total expense before depreciation	<u>621,772</u>	<u>410,821</u>	<u>100,991</u>	<u>109,960</u>
Depreciation expense	<u>84,799</u>	<u>84,799</u>	<u>-</u>	<u>-</u>
	<u>\$ 706,571</u>	<u>\$ 495,620</u>	<u>\$ 100,991</u>	<u>\$ 109,960</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, 2011

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>
Personnel costs:				
Salaries and wages	\$ 268,719	\$ 163,517	\$ 44,141	\$ 61,061
Payroll tax expense	26,443	16,091	4,343	6,009
Employee benefits	39,393	23,971	6,471	8,951
Donated services	21,301	21,301	-	-
TOTAL PERSONNEL COSTS	<u>355,856</u>	<u>224,880</u>	<u>54,955</u>	<u>76,021</u>
Bank charges	4,046	-	4,046	-
Board meetings	1,458	-	1,458	-
Computer expense	1,231	-	1,231	-
Canister expense	12,698	-	-	12,698
Direct mail	6,696	-	-	6,696
Dues & subscriptions	1,615	-	1,615	-
Fund-raising	2,130	-	-	2,130
Children and family services grant	20,744	20,744	-	-
Insurance	20,174	19,418	756	-
Miscellaneous expense	73	-	73	-
Newsletter	17,600	8,800	3,520	5,280
Office expense	5,628	-	5,628	-
Postage	3,129	1,565	782	782
Printing	3,979	1,193	1,591	1,193
Professional fees	39,576	-	39,576	-
Promotions	-	-	-	-
Repairs and maintenance	28,902	28,902	-	-
Supplies	28,515	28,515	-	-
Telephone	4,851	2,911	970	970
Travel and training	12,658	12,658	-	-
Utilities	20,717	20,717	-	-
Van expense	324	324	-	-
Volunteer recognition	8,909	8,909	-	-
Total expense before depreciation	<u>601,509</u>	<u>379,536</u>	<u>116,202</u>	<u>105,771</u>
Depreciation expense	<u>79,318</u>	<u>79,318</u>	<u>-</u>	<u>-</u>
	<u>\$ 680,827</u>	<u>\$ 458,854</u>	<u>\$ 116,202</u>	<u>\$ 105,771</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, 2012 AND 2011

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, 2012 AND 2011

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, 2012 AND 2011

Note B - Significant Accounting Policies (Continued)

Property and equipment:

It is the Organization's policy to capitalize property and equipment costing \$750 or more. Lesser amounts 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, 2012 AND 2011

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, 2012 and 2011, the unrecognized tax benefit accruals were zero.

Subsequent events:

Management has evaluated subsequent events through June 27, 2013, 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 asset allocations will be 65% equity and 35% fixed income and non-equity investments. 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, 2012 AND 2011

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>2012</u>	<u>2011</u>
Cash in money market fund	\$ 134,627	\$ 125,810
Bond mutual funds	1,654,877	1,186,985
Equity mutual funds	1,582,149	1,693,645
McDonald's Corporation stock	416,880	474,160
Other stock	13,920	11,936
Time share	<u>2,999</u>	<u>2,999</u>
	<u>\$3,805,452</u>	<u>\$3,495,535</u>

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

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 86,152	\$ 91,885
Net gains (losses) on investments	<u>223,765</u>	<u>(111,087)</u>
Total Investment earnings (losses)	<u>\$ 309,917</u>	<u>\$ (19,202)</u>

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

Note D - Property and Equipment

A summary of property and equipment follows:

	2012	2011
Land	\$ 65,744	\$ 65,744
Buildings	1,610,275	1,610,275
Building improvements	137,745	116,227
Landscaping	72,506	72,506
Furnishings and fixtures	294,832	247,696
Office equipment	87,470	95,035
Signage	8,206	8,206
Vehicles	16,081	16,081
	2,292,859	2,231,770
Less accumulated depreciation	1,182,535	1,109,317
	\$1,110,324	\$1,122,453

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	650,000
Capital improvements	160,000
	\$ 1,810,000

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, 2012 and 2011, grant funds totaling \$27,506 and \$20,744 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, 2012 AND 2011

Note H - In-Kind Contributions

During 2012 and 2011 the House received donations of equipment valued at \$47,324 and \$0, 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>2012</u>	<u>2011</u>
House Operations -		
Receptionist and cleaning services	\$ 21,216	\$ 21,301
Cable and Wi-Fi service	2,750	2,750
Cleaning and maintenance supplies	7,045	11,959
Lawncare and other maintenance services	<u>4,246</u>	<u>7,540</u>
	35,257	43,550
Management and General -		
Accounting services	6,872	10,071
Legal services	3,750	16,000
Travel	<u>800</u>	<u>800</u>
	11,422	26,871
Special Events -		
Event food and other expense	<u>4,755</u>	<u>20,837</u>
Total contributed services and supplies	<u>\$ 51,434</u>	<u>\$ 91,258</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, 2012 and 2011.

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, 2012 AND 2011

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 2012 and 2011 represented approximately 25% and 19%, 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, 2012 and 2011 the Organization remitted \$33,101 and \$32,791 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, 2012 and 2011 the Organization remitted \$15,433 and \$13,299 respectively to Global as their portion of canister donations.

At December 31, 2011, the Organization owed Ronald McDonald Charities (Global) \$29,651 for the installation of canisters in McDonald Restaurants. That amount was repaid in full to Global by December 31, 2012.

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:

	2012	2011
McDonald's Corporation stock	\$ 416,880	\$ 474,160
Bond and equity mutual funds	79,320	22,040
	\$ 496,200	\$ 496,200

RONALD MCDONALD HOUSE CHARITIES OF IDAHO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

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>2012</u>	<u>2011</u>
McDonald's Corporation dividends	\$ 9,834	\$ 11,957
Dividends from mutual funds	<u>582</u>	<u>581</u>
	<u>\$ 10,416</u>	<u>\$ 12,538</u>

An annual reconciliation of the endowment is as follows:

	<u>2012</u>	<u>2011</u>
Balances at beginning of year	\$ 496,200	\$ 496,200
Earnings on investments	10,416	12,538
Income recorded as unrestricted net assets	<u>(10,416)</u>	<u>(12,538)</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.