

**Ronald McDonald House Charities
of Kansas City, Inc.**

Auditor's Report and Financial Statements
December 31, 2014 and 2013



**Ronald McDonald House Charities
of Kansas City, Inc.**
December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities
of Kansas City, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of Ronald McDonald House Charities of Kansas City, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

Auditor's 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.

Board of Directors
Ronald McDonald House Charities
of Kansas City, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Kansas City, Inc. as of December 31, 2014 and 2013, 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.

BKD, LLP

Kansas City, Missouri
May 26, 2015

**Ronald McDonald House Charities
of Kansas City, Inc.**

**Statements of Financial Position
December 31, 2014 and 2013**

Assets

	2014	2013
Cash and cash equivalents	\$ 1,773,937	\$ 1,971,305
Miscellaneous receivables	103,595	153,157
Contributions receivable – general operations	36,412	62,697
Contributions receivable – Hope Grows Here Campaign	344,016	1,180,487
Beneficial interest in assets held by another not-for-profit organization	250,000	-
Investments	2,967,874	2,835,379
Property and equipment, net of accumulated depreciation; 2014 – \$5,467,277, 2013 – \$4,993,591	15,618,879	11,714,111
Other	10,939	3,945
Total assets	\$ 21,105,652	\$ 17,921,081

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 985,136	\$ 84,517
Total liabilities	985,136	84,517

Net Assets

Unrestricted	18,416,007	13,601,636
Temporarily restricted	704,509	3,234,928
Permanently restricted	1,000,000	1,000,000
Total net assets	20,120,516	17,836,564
Total liabilities and net assets	\$ 21,105,652	\$ 17,921,081

Ronald McDonald House Charities of Kansas City, Inc.

Statements of Activities

Years Ended December 31, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions – general	\$ 1,940,769	\$ 372,614		\$ 2,313,383
Contributions – Hope Grows Here Campaign	-	1,492,179		1,492,179
Contributions – McDonald’s	359,960	-		359,960
Organization-sponsored fundraising events, net of costs of direct benefits to donors; 2014 - \$193,277, 2013 - \$158,452	385,652	141,950		527,602
External fundraising events	214,754	16,414		231,168
Medicaid revenue	242,836	-		242,836
Other	7,780	-		7,780
Interest and dividends	46,715	-		46,715
Net realized and unrealized gains on investments	35,548	44,902		80,450
Net assets released from restrictions	4,594,149	(4,594,149)		-
	<u>7,828,163</u>	<u>(2,526,090)</u>		<u>5,302,073</u>
Total revenues, gains and other support				
	<u>7,828,163</u>	<u>(2,526,090)</u>		<u>5,302,073</u>
Expenses and Losses				
Program services				
Ronald McDonald Houses	1,766,127	-		1,766,127
Family Room	222,785	-		222,785
Camp ChiMer	59,319	-		59,319
	<u>2,048,231</u>	<u>-</u>		<u>2,048,231</u>
Total program services				
	<u>2,048,231</u>	<u>-</u>		<u>2,048,231</u>
Support services				
Management and general	227,470	-		227,470
Fundraising	593,963	4,329		598,292
Fundraising - Hope Grows Here Campaign	87,406	-		87,406
	<u>908,839</u>	<u>4,329</u>		<u>913,168</u>
Total support services				
	<u>908,839</u>	<u>4,329</u>		<u>913,168</u>
Unallocated payments to RMHC Global	56,722	-		56,722
	<u>56,722</u>	<u>-</u>		<u>56,722</u>
Total expenses and losses				
	<u>3,013,792</u>	<u>4,329</u>		<u>3,018,121</u>
Change in Net Assets	4,814,371	(2,530,419)		2,283,952
Net Assets, Beginning of Year	<u>13,601,636</u>	<u>3,234,928</u>	<u>\$ 1,000,000</u>	<u>17,836,564</u>
Net Assets, End of Year	<u>\$ 18,416,007</u>	<u>\$ 704,509</u>	<u>\$ 1,000,000</u>	<u>\$ 20,120,516</u>

See Notes to Financial Statements

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,066,917	\$ 198,546		\$ 1,265,463
-	3,373,393		3,373,393
340,919	-		340,919
411,516	48,560		460,076
123,605	17,462		141,067
284,526	-		284,526
-	-		-
78,255	-		78,255
150,461	167,482		317,943
830,369	(830,369)		-
<u>3,286,568</u>	<u>2,975,074</u>		<u>6,261,642</u>
1,706,347	-		1,706,347
205,205	-		205,205
74,745	-		74,745
<u>1,986,297</u>	<u>-</u>		<u>1,986,297</u>
220,858	-		220,858
458,345	585		458,930
118,638	-		118,638
<u>797,841</u>	<u>585</u>		<u>798,426</u>
<u>49,513</u>	<u>-</u>		<u>49,513</u>
<u>2,833,651</u>	<u>585</u>		<u>2,834,236</u>
452,917	2,974,489		3,427,406
<u>13,148,719</u>	<u>260,439</u>	<u>\$ 1,000,000</u>	<u>14,409,158</u>
<u>\$ 13,601,636</u>	<u>\$ 3,234,928</u>	<u>\$ 1,000,000</u>	<u>\$ 17,836,564</u>

**Ronald McDonald House Charities
of Kansas City, Inc.
Statement of Functional Expenses
Year Ended December 31, 2014**

	Program Services			Support Services			Total Expenses
	Ronald McDonald Houses	Family Room	Camp ChiMer	Management and General	Fundraising	Fundraising- Hope Grows Here Campaign	
Salaries and benefits	\$ 595,324	\$ 168,839	\$ 12,085	\$ 113,002	\$ 270,005	\$ 7,171	\$ 1,166,426
Supplies and other office expenses	5,343	936	1,777	12,277	8,614	737	29,684
Utilities and telephone	131,809	-	-	-	-	-	131,809
Repairs and maintenance	241,396	5,600	-	5,374	12,254	51,744	316,368
Seminars and training	4,406	965	-	2,565	4,753	-	12,689
Family services	194,324	10,874	44,773	8	1,586	8,004	259,569
Insurance	66,183	13,367	563	11,814	4,380	-	96,307
Volunteers/donor appreciation	3,407	1,137	-	221	8,104	17,583	30,452
Newsletters and printing	2,047	971	121	539	25,931	209	29,818
Depreciation	452,134	20,096	-	4,701	41,341	-	518,272
Bank and investment fees	-	-	-	39,440	-	1,565	41,005
Leases	3,126	-	-	1,909	889	-	5,924
Professional services	-	-	-	33,020	-	-	33,020
Board expenses	-	-	-	2,058	-	-	2,058
Annual giving campaign	31,636	-	-	-	122,186	393	154,215
Red Shoe Shindig	-	-	-	-	21,536	-	21,536
Trent Green Golf Classic	-	-	-	-	1,808	-	1,808
Miscellaneous fundraising expenses	-	-	-	-	65,725	-	65,725
Bad debt expense	(34)	-	-	542	7,960	-	8,468
Cost of goods sold	3,212	-	-	-	-	-	3,212
Loss on disposal of equipment	31,814	-	-	-	1,220	-	33,034
	<u>\$ 1,766,127</u>	<u>\$ 222,785</u>	<u>\$ 59,319</u>	<u>\$ 227,470</u>	<u>\$ 598,292</u>	<u>\$ 87,406</u>	<u>\$ 2,961,399</u>

Ronald McDonald House Charities of Kansas City, Inc.

Statement of Functional Expenses Year Ended December 31, 2013

	Program Services			Support Services			Total Expenses
	Ronald McDonald Houses	Family Room	Camp ChiMer	Management and General	Fundraising	Fundraising- Hope Grows Here Campaign	
Salaries and benefits	\$ 532,462	\$ 159,208	\$ 13,069	\$ 106,869	\$ 210,895	\$ 45,920	\$ 1,068,423
Supplies and other office expenses	4,719	812	1,719	10,648	6,754	3,053	27,705
Utilities and telephone	134,121	-	-	-	-	-	134,121
Repairs and maintenance	215,222	6,492	-	5,622	13,494	7,199	248,029
Seminars and training	4,918	2,889	-	2,409	3,675	64	13,955
Family services	178,698	1,586	59,205	-	1,163	4	240,656
Insurance	55,780	11,272	698	11,295	3,690	1,210	83,945
Volunteers/donor appreciation	3,358	1,398	54	-	5,237	40,085	50,132
Newsletters and printing	3,567	1,457	-	1,095	11,708	5,003	22,830
Depreciation	429,732	19,929	-	4,759	41,692	-	496,112
Bank and investment fees	-	-	-	38,182	-	-	38,182
Leases	3,491	-	-	976	977	-	5,444
Professional services	1,300	-	-	31,930	-	-	33,230
Board expenses	13	-	-	7,073	-	-	7,086
Annual giving campaign	29,196	-	-	-	85,938	16,100	131,234
Red Shoe Shindig	-	-	-	-	8,756	-	8,756
Trent Green Golf Classic	-	-	-	-	1,623	-	1,623
Miscellaneous fundraising expenses	-	-	-	-	59,843	-	59,843
Bad debt expense	20	-	-	-	607	-	627
Cost of goods sold	325	162	-	-	-	-	487
Loss on disposal of equipment	109,425	-	-	-	2,878	-	112,303
	<u>\$ 1,706,347</u>	<u>\$ 205,205</u>	<u>\$ 74,745</u>	<u>\$ 220,858</u>	<u>\$ 458,930</u>	<u>\$ 118,638</u>	<u>\$ 2,784,723</u>

**Ronald McDonald House Charities
of Kansas City, Inc.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ 2,283,952	\$ 3,427,406
Items not requiring (providing) operating activities cash flows		
Depreciation	518,272	496,112
Loss on disposal of equipment	33,034	112,303
Net realized and unrealized gains on investments	(80,450)	(317,943)
Contributions of property and equipment or contributions received restricted for acquisition of property and equipment	(1,802,459)	(3,518,569)
Contribution of investment securities	(19,825)	(74,163)
Changes in		
Contributions receivable	26,285	31,113
Beneficial interest in assets	(250,000)	-
Miscellaneous receivables and other assets	42,568	(104,354)
Accounts payable and accrued expenses	6,243	(585)
	<u>757,620</u>	<u>51,320</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(3,251,418)	(626,249)
Purchase of investments	(3,789,351)	(1,488,106)
Proceeds from disposition of investments	3,757,131	1,470,774
	<u>(3,283,638)</u>	<u>(643,581)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions restricted for acquisition of property and equipment	2,328,650	2,194,115
Payments on line of credit	-	(265,384)
	<u>2,328,650</u>	<u>1,928,731</u>
Net cash provided by financing activities		
Increase (Decrease) in Cash and Cash Equivalents	(197,368)	1,336,470
Cash and Cash Equivalents, Beginning of Year	<u>1,971,305</u>	<u>634,835</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,773,937</u>	<u>\$ 1,971,305</u>
Supplemental Cash Flows Information		
Contribution of a beneficial interest in assets held by another not-for-profit organization	\$ 250,000	\$ -
Property and equipment acquired through noncash contributions	310,280	143,967
Property and equipment purchases in accounts payable	934,488	40,112

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ronald McDonald House Charities of Kansas City, Inc. (the “Organization”) is a not-for-profit organization that owns and operates two Kansas City Ronald McDonald Houses and a Family Room, which provides temporary housing for the families of seriously ill children while the children are receiving treatment at local hospitals. During 2013, construction of an additional house began and was completed in 2015 (see *Note 4*).

The Organization’s revenues and other support are derived principally from contributions and Organization-sponsored fundraising events.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts.

At December 31, 2014, the Organization’s cash accounts exceeded federally insured limits by approximately \$1,451,000, which is to be used for the construction of the new house in 2015.

Beneficial Interest in Assets held by Another Not-for-profit Organization

The Organization is a beneficiary of a \$250,000 contribution made to and held by an unrelated not-for-profit organization. The funds are restricted to support Ronald McDonald Family Room and may be utilized at any time.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	10 - 15 years
Building under capital lease	50 years
Vans and autos	5 years
Furniture, fixtures and equipment	5 years
Donation box equipment	5 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during 2014. In 2013, an impairment loss of \$85,351 was recognized for the partial malfunction of the original Longfellow HVAC system. The loss is included in the loss on disposal of equipment line item in the accompanying Statement of Functional Expenses. Fair value was determined based on management's best estimate derived from the opinion of the contractor who installed the original system.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed into service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. The Organization estimates an allowance for uncollectible contributions receivable, which is based upon a review of outstanding pledges, historical collection information and existing economic conditions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions in the form of goods and services from various donors. Such contributions are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets, or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as revenue in the financial statements, and similarly increase an expense or capitalized asset by a like amount. In-kind contributions recognized during 2014 and 2013 were approximately \$687,000 and \$506,000, respectively, which includes contributed services of approximately \$180,000 and \$164,000, respectively.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2014 and 2013

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. Contributed goods and services not subject to objective measurement or valuation are not reflected in the financial statements.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization is not aware of any uncertain tax positions at December 31, 2014 and 2013. The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2014 and 2013

Note 2: Investments

Investments at December 31 consisted of the following:

	2014	2013
Money market accounts	\$ 871,622	\$ 194,308
Certificate of deposit	25,000	25,000
Bond mutual funds	826,171	371,847
Equity mutual funds	1,245,081	786,990
U.S. Treasury notes	-	116,096
U.S. government obligations	-	106,053
Corporate bonds	-	312,529
Common stock	-	915,815
Interest receivable	-	6,741
	\$ 2,967,874	\$ 2,835,379

Note 3: Contributions Receivable

Contributions receivable at December 31 consisted of the following unconditional promises to give discounted at a rate of 5%:

	2014	2013
Due within one year	\$ 314,523	\$ 997,497
Due in one to five years	77,257	273,411
	391,780	1,270,908
Less		
Allowance for uncollectible contributions	(240)	(587)
Unamortized discount	(11,112)	(27,137)
	\$ 380,428	\$ 1,243,184

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Contributions receivable are reflected in the statements of financial position as follows:

	2014	2013
Contributions receivable - General operations	\$ 36,412	\$ 62,697
Contributions receivable - Hope Grows Here Campaign	344,016	1,180,487
	\$ 380,428	\$ 1,243,184

During 2013, the Organization launched a capital campaign called Hope Grows Here. The goal of this campaign was to raise \$4.5 million through contributions to build a new 20 bedroom Ronald McDonald House. The campaign goal was later increased to \$5.1 million. The goal was achieved during 2014. See further discussion of the building of the properties in *Note 4*.

Note 4: Property and Equipment

Property and equipment at December 31 consisted of the following:

	2014	2013
Land and parking lot	\$ 158,845	\$ 158,845
Building improvements	2,722,251	2,584,838
Buildings and improvements under capital lease	11,761,560	11,755,375
Vans and autos	20,919	20,919
Furniture and equipment	1,063,780	1,010,987
Donation box equipment	159,682	159,346
Family Room	402,038	401,241
Construction in progress	4,797,081	616,151
	21,086,156	16,707,702
Less accumulated depreciation	(5,467,277)	(4,993,591)
	\$ 15,618,879	\$ 11,714,111

The Organization constructed a new 20 bedroom Ronald McDonald House that opened in February 2015. As of December 31, 2014, the property had not been placed in service, thus no depreciation was taken during 2014 or 2013. The remaining commitment to the contractor as of December 31, 2014 was approximately \$798,000.

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements December 31, 2014 and 2013

Note 5: Line of Credit

The Organization has a \$1,750,000 revolving bank line of credit for the construction of the new 20 bedroom Ronald McDonald House. The line of credit is due on demand with an annual interest rate of 4%. As of December 31, 2014, there were no drawdowns on the line of credit. In March 2015, the Organization borrowed \$660,000 against the line of credit.

During 2014 and 2013, the Organization had a \$750,000 revolving bank line of credit due on demand. As of December 31, 2014 and 2013, there were no drawdowns on the line of credit.

Note 6: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 were available for the following purpose or periods:

	2014	2013
Accumulated earnings on endowment	\$ 301,353	\$ 261,396
For periods after December 31	108,422	1,243,184
Family Room	250,000	-
Hope Grows Here Campaign	-	1,652,018
Camp ChiMer	16,741	43,314
Other miscellaneous projects	27,993	35,016
	\$ 704,509	\$ 3,234,928

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 were restricted to:

	2014	2013
Investment in perpetuity, the income of which is expendable to support operations	\$ 1,000,000	\$ 1,000,000

Ronald McDonald House Charities of Kansas City, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following purpose restrictions were accomplished during the years ended December 31, 2014 and 2013:

	2014	2013
Endowment earnings appropriated for expenditure	\$ 4,846	\$ 6,612
Time restrictions expired	197,309	134,071
Hope Grows Here Campaign	4,268,334	545,796
Camp ChiMer	59,319	75,745
Other capital projects	1,077	11,209
Other miscellaneous projects	63,264	56,936
	\$ 4,594,149	\$ 830,369

Note 7: Endowment

The Organization's endowment consists of one donor-restricted fund established in the amount of \$1,000,000, to be held in perpetuity in order to provide supplemental income for the operating expenses at the Ronald McDonald House. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the *Uniform Prudent Management of Institutional Funds Act* as adopted by the state of Missouri (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

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Notes to Financial Statements

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The composition of net assets and the changes in the net assets of the donor-restricted endowment funds for the years ended December 31, 2014 and 2013 were:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 172,405	\$ 261,396	\$ 1,000,000	\$ 1,433,801
Investment return				
Investment income	27,514	-	-	27,514
Net appreciation	-	44,803	-	44,803
Total investment return	<u>27,514</u>	<u>44,803</u>	<u>-</u>	<u>72,317</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,846)</u>	<u>-</u>	<u>(4,846)</u>
Endowment net assets, end of year	<u>\$ 199,919</u>	<u>\$ 301,353</u>	<u>\$ 1,000,000</u>	<u>\$ 1,501,272</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 137,345	\$ 100,727	\$ 1,000,000	\$ 1,238,072
Investment return				
Investment income	35,060	-	-	35,060
Net appreciation	-	167,281	-	167,281
Total investment return	<u>35,060</u>	<u>167,281</u>	<u>-</u>	<u>202,341</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(6,612)</u>	<u>-</u>	<u>(6,612)</u>
Endowment net assets, end of year	<u>\$ 172,405</u>	<u>\$ 261,396</u>	<u>\$ 1,000,000</u>	<u>\$ 1,433,801</u>

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Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at December 31 consisted of:

	2014	2013
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation	\$ 1,000,000	\$ 1,000,000
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under UPMIFA without purpose restriction	301,353	261,396

From time to time, the fair value of assets associated with individual donor-restricted endowment fund may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets, which the Organization did not have at December 31, 2014 and 2013.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include assets of donor-restricted endowment funds the Organization must hold in perpetuity.

Under the Organization’s policies, the primary investment goal is long-term asset growth with the generation of investment income a secondary goal. The Organization’s investment policy details other guidelines for investment assets. The Organization expects its endowment funds to provide returns over a rolling three-year period, which will be reasonably consistent with those from a comparably positioned “unmanaged” fund consisting of equity, fixed income and cash indices, as applicable. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization follows the donor’s stipulation in regard to this endowment, which requires the original gift to be held in perpetuity and the income earned to be used for operating expenses. The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 5% of the endowment fund’s average fair value over the prior three years and up to an amount equal to the excess of the Organization’s budgeted expenses over budgeted income as approved by the Board.

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Note 8: Long-term Leases

The Cherry Street facility has been constructed on land subject to a lease through the year 2085 for an annual payment of \$10.

The Longfellow facility was constructed on land that was donated by a local company and by the City of Kansas City, Missouri. Upon completion of the project, the Organization transferred the property to Kansas City, Missouri in accordance with the restrictions set forth by Kansas City, Missouri. The Organization then contracted to lease the property from the City at \$1 per year for a term of twenty years with three ten-year renewal options. The lease qualifies for capital lease accounting treatment. Leasehold improvements are being amortized over the shorter of the lease term or their estimated useful lives.

Property and equipment includes the following property under the capital lease at December 31, 2014 and 2013:

	2014	2013
Land	\$ 1,613,691	\$ 1,613,691
Building and improvements	10,147,869	10,141,684
	11,761,560	11,755,375
Less accumulated depreciation	2,083,575	1,835,896
	\$ 9,677,985	\$ 9,919,479

Note 9: Retirement Plan

The Organization has a defined contribution pension plan covering substantially all employees. Regularly scheduled employees are eligible to participate in the plan after reaching age 21 and completing six months of eligible service. For both 2014 and 2013, the Organization contributed the 5% required of eligible compensation and also matched 50% of the employees' contributions up to 4% of eligible compensation. The Organization's retirement expense amounted to \$54,008 \$47,352 for the years ended 2014 and 2013, respectively.

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Notes to Financial Statements

December 31, 2014 and 2013

Note 10: Fundraising Events

Included in the statements of activities is a total for all major Organization-sponsored fundraising events held during 2014 and 2013. The revenue generated from each event, net the costs of direct benefits provided to donors, is as follows:

	2014	2013
Trent Green Golf Classic	\$ 226,319	\$ 209,515
Red Shoe Shindig	494,560	409,013
	720,879	618,528
Less costs of direct benefits to donors	(193,277)	(158,452)
	\$ 527,602	\$ 460,076

Note 11: Allocation of Joint Costs

The Organization conducted activities that included requests for contributions, as well as program components. Those activities included direct mailings that solicited contributions and requested the completion of a personalized welcome card for families staying at the facility. The costs of conducting those activities included a total of \$63,722 and \$54,051 of joint costs in 2014 and 2013, respectively, which are not specifically attributable to particular components of the activities. The joint costs were allocated as follows:

	2014	2013
Fundraising	\$ 32,086	\$ 24,855
Program	31,636	29,196
	\$ 63,722	\$ 54,051

Note 12: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

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December 31, 2014 and 2013

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014 and 2013:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2014				
Money market accounts	\$ 871,622	\$ 871,622	\$ -	\$ -
Bond mutual funds	826,171	826,171	-	-
Equity mutual funds	1,245,081	1,245,081	-	-
Total	<u>\$ 2,942,874</u>	<u>\$ 2,942,874</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2013				
Money market accounts	\$ 194,308	\$ 194,308	\$ -	\$ -
Bond mutual funds	371,847	371,847	-	-
Equity mutual funds	786,990	786,990	-	-
U.S. Treasury notes	116,096	-	116,096	-
U.S. government obligations	106,053	-	106,053	-
Corporate bonds	312,529	-	312,529	-
Common stock	915,815	915,815	-	-
Total	<u>\$ 2,803,638</u>	<u>\$ 2,268,960</u>	<u>\$ 534,678</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.