

**RONALD MCDONALD HOUSE CHARITIES,
NORTHERN NEVADA, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Ronald McDonald House Charities, Northern Nevada, Inc.

We have audited the accompanying financial statements of Ronald McDonald House Charities, Northern Nevada, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. The December 31, 2011 financial statements of Ronald McDonald House Charities, Northern Nevada, Inc. were audited by Kohn Colodny LLP and they expressed an unmodified opinion on those financial statements in their report dated April 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities, Northern Nevada, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reno, Nevada
April 17, 2013

Kohn & Company

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Memorandum Only)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 188,887	\$ 23,128	-	\$ 212,015	131,496
Investments	1,567,945	-	516,250	2,084,195	1,912,311
Prepaid expenses	12,440	-	-	12,440	4,896
Total current assets	<u>1,769,272</u>	<u>23,128</u>	<u>516,250</u>	<u>2,308,650</u>	<u>2,048,703</u>
LAND, PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$810,546 and \$737,416 in 2012 and 2011, respectively					
	<u>1,021,200</u>	<u>-</u>	<u>-</u>	<u>1,021,200</u>	<u>1,082,330</u>
Total assets	<u>\$ 2,790,472</u>	<u>\$ 23,128</u>	<u>\$ 516,250</u>	<u>\$ 3,329,850</u>	<u>\$ 3,131,033</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 37,666	\$ -	\$ -	\$ 37,666	\$ 24,437
Cash advance from RMHC, Inc.	-	-	-	-	10,791
Grants payable	30,000	-	-	30,000	-
Accrued liabilities	27,861	-	-	27,861	23,810
Total current liabilities/ total liabilities	<u>95,527</u>	<u>-</u>	<u>-</u>	<u>95,527</u>	<u>59,038</u>
NET ASSETS					
Unrestricted					
Designated					
Scholarships	158,435	-	-	158,435	158,435
Capital Property Reserve	673,612	-	-	673,612	608,612
Ronald McDonald					
Care Mobile	76,928	-	-	76,928	25,000
Capital improvements	200,000	-	-	200,000	200,000
Travel for Treatment	15,000	-	-	15,000	-
Family Room	100,000	-	-	100,000	-
Investment in land, property and equipment, net	1,021,200	-	-	1,021,200	1,071,539
Undesignated	<u>449,770</u>	<u>-</u>	<u>-</u>	<u>449,770</u>	<u>473,601</u>
Total unrestricted net assets	<u>2,694,945</u>	<u>-</u>	<u>-</u>	<u>2,694,945</u>	<u>2,537,187</u>
Temporarily restricted	-	23,128	-	23,128	18,558
Permanently restricted	-	-	516,250	516,250	516,250
Total net assets	<u>2,694,945</u>	<u>23,128</u>	<u>516,250</u>	<u>3,234,323</u>	<u>3,071,995</u>
Total liabilities and net assets	<u>\$ 2,790,472</u>	<u>\$ 23,128</u>	<u>\$ 516,250</u>	<u>\$ 3,329,850</u>	<u>\$ 3,131,033</u>

See accompanying notes

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

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	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Memorandum Only)
PUBLIC SUPPORT AND REVENUE					
Public support					
Contributions	\$ 546,825	\$ 23,128	\$ -	\$ 569,953	\$ 461,278
In-kind contributions	115,204	-	-	115,204	55,362
Special events	285,138	-	-	285,138	95,307
United Way	4,773	-	-	4,773	5,769
Total public support	<u>951,940</u>	<u>23,128</u>	<u>-</u>	<u>975,068</u>	<u>617,716</u>
Revenue					
Interest and dividends	59,505	-	-	59,505	54,628
Rental income	17,904	-	-	17,904	10,082
	<u>77,409</u>	<u>-</u>	<u>-</u>	<u>77,409</u>	<u>64,710</u>
RECLASSIFICATIONS					
Net assets released from restrictions - satisfaction of purpose restrictions	<u>18,558</u>	<u>(18,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenue, and reclassifications	1,047,907	4,570	-	1,052,477	682,426
EXPENSES					
Program services					
Ronald McDonald House	464,282	-	-	464,282	369,923
Family Room	33,569	-	-	33,569	-
Travel for Treatment	6,926	-	-	6,926	4,194
Ronald McDonald Care Mobile	30,000	-	-	30,000	25,520
Scholarships	87,450	-	-	87,450	80,700
Total program services	<u>622,227</u>	<u>-</u>	<u>-</u>	<u>622,227</u>	<u>480,337</u>
Supporting services					
General and administrative	123,926	-	-	123,926	115,528
Fund raising	174,404	-	-	174,404	131,139
Total supporting services	<u>298,330</u>	<u>-</u>	<u>-</u>	<u>298,330</u>	<u>246,667</u>
Unallocated payments to RMHC, Inc.	<u>20,680</u>	<u>-</u>	<u>-</u>	<u>20,680</u>	<u>19,880</u>
Total expenses	941,237	-	-	941,237	746,884
OTHER GAINS AND (LOSSES)					
Net realized and unrealized gain on sale of investments	<u>51,088</u>	<u>-</u>	<u>-</u>	<u>51,088</u>	<u>18,704</u>
CHANGE IN NET ASSETS	157,758	4,570	-	162,328	(45,754)
NET ASSETS, beginning of year	<u>2,537,187</u>	<u>18,558</u>	<u>516,250</u>	<u>3,071,995</u>	<u>3,117,749</u>
NET ASSETS, end of year	<u>\$ 2,694,945</u>	<u>\$ 23,128</u>	<u>\$ 516,250</u>	<u>\$ 3,234,323</u>	<u>\$ 3,071,995</u>

See accompanying notes

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

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	2012	2011 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 162,328	\$ (45,754)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	73,130	58,396
Contributed fixed assets	(12,000)	-
Reinvested dividends	(44,830)	(41,576)
Net realized and unrealized gains on investments	(51,088)	(17,535)
Changes in certain components of working capital		
(Increase) decrease in:		
Prepaid expenses	(7,544)	(2,334)
Increase (decrease) in:		
Accounts payable	13,229	(5,346)
Grant payable	30,000	-
Accrued liabilities	4,051	6,405
Net cash provided (used) by operating activities	167,276	(47,744)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(127,982)
Purchases of investments	(197,654)	203,265
Proceeds from sale of investments	121,688	-
Payment and forgiveness on cash advance for equipment	(10,791)	(12,332)
Net cash provided (used) by investing activities	(86,757)	62,951
NET INCREASE IN CASH	80,519	15,207
CASH, beginning of year	131,496	116,289
CASH, end of year	\$ 212,015	\$ 131,496

See accompanying notes

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	2012										2011
	Program Services					Supporting Services					Total
	Ronald McDonald House	Family Room	Travel for Treatment	Ronald McDonald Care Mobile	Scholarships	General and Administrative	Fund Raising	Total	(Memorandum Only)		
Advertising and promotion	\$ 8,468	\$ 2,927	\$ -	\$ -	\$ -	\$ 313	\$ 2,739	\$ 14,447	\$ 1,325		
Auto expense	623	-	-	-	-	-	-	623	1,009		
Bank charges	-	-	-	-	-	4,608	-	4,608	7,095		
Canister expense	-	-	-	-	-	-	8,043	8,043	4,103		
Cleaning services and supplies	18,953	638	-	-	-	-	-	19,591	18,360		
Depreciation	70,204	-	-	-	-	1,463	1,463	73,130	58,396		
Direct mail	-	-	-	-	-	-	39,466	39,466	18,701		
Employee benefits	20,266	-	-	-	-	4,122	-	24,388	14,913		
Groceries/house expenses	63,902	-	-	-	-	-	-	63,902	35,040		
Insurance	16,925	254	-	-	-	1,776	309	19,264	20,944		
Legal and accounting	-	-	-	-	-	13,655	-	13,655	12,168		
Maintenance and repairs	8,406	-	-	-	-	7,428	57	15,891	20,111		
Meetings, training and seminars	1,611	-	-	-	-	1,050	120	2,781	3,327		
Miscellaneous	513	-	-	-	-	624	4,466	5,603	2,731		
Newsletter expense	-	-	-	-	-	-	420	420	245		
Outside services	30,040	-	-	-	-	500	1,250	31,790	53,472		
Office supplies	7,085	4,154	-	-	-	6,621	1,471	19,331	9,697		
Postage and shipping	6,100	-	-	-	-	11	1,700	7,811	8,477		
Printing	2,404	-	-	-	-	557	9,567	12,528	11,131		
Salaries and payroll taxes	184,132	24,381	-	-	-	78,363	69,144	356,020	284,348		
Special events	-	-	-	-	-	-	33,391	33,391	2,368		
Telephone	5,194	-	-	-	-	110	103	5,407	5,094		
Travel	2,553	-	-	-	-	2,300	505	5,358	5,972		
Utilities	9,895	-	-	-	-	425	190	10,510	12,023		
Volunteer recognition	7,008	1,215	-	-	-	-	-	8,223	5,540		
Travel for Treatment	-	-	6,926	-	-	-	-	6,926	4,194		
Ronald McDonald Care Mobile	-	-	-	30,000	-	-	-	30,000	25,520		
Scholarships awarded	-	-	-	-	87,450	-	-	87,450	80,700		
Total expenses	\$ 464,282	\$ 33,569	\$ 6,926	\$ 30,000	\$ 87,450	\$ 123,926	\$ 174,404	\$ 920,557	\$ 727,004		

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Ronald McDonald House Charities, Northern Nevada, Inc. (the Organization) is organized as a non-profit corporation under the laws of the state of Nevada. In addition, the Organization has received charitable organization status under the Internal Revenue Code Section 501(c)(3). Therefore, donations made to the Organization are deductible to the donor, and the Organization is generally exempt from income taxation.

The Organization maintains and operates the Ronald McDonald House in Reno, Nevada to provide a home away from home for seriously ill children and their families while the children are receiving treatment at a nearby hospital. The Organization also provides financial assistance to families that must travel to receive treatment for their child.

In addition, the Organization also makes grants to other organizations exempt under IRC Section 501(c)(3). In 2012, the Organization continued its ongoing support of the Ronald McDonald Care Mobile program which provides basic healthcare services to underserved populations in Washoe County.

The Organization provides qualifying, high school seniors from northern Nevada with scholarships for their first year of college as a part of the RMHC U.S. Scholarship Program. Recipients of RMHC Scholarships are also offered renewable scholarships for their second through fourth year of school.

The Ronald McDonald Family Room at Renown Children's Hospital opened February, 2012. The 548 square-foot room serves as a place of respite to families with children in the hospital where they can retreat to get something to eat, check their email, watch a movie or just sit and rest in the home-like atmosphere just steps away from their child. Included in the space is a small bedroom where parents can sleep while still enabling them to be close to their child in the Pediatric Intensive Care Unit. The Ronald McDonald Family Room is intended to help parents rest and recoup to be a better support system for their children.

Basis of Accounting

The Organization prepares its financial statements using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

At December 31, 2012, the Organization has temporarily restricted net assets totaling \$23,128 for scholarships for the 2013 award period. Permanently restricted net assets are detailed in Note 4.

The Organization reports restricted contributions whose restrictions are met in the same reporting period in which the contributions are received as unrestricted support.

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents

Cash and cash equivalents include general checking and money market accounts and highly liquid debt instruments purchased with original maturities of three months or less.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred. Advertising and promotional costs total \$14,447 for the year ended December 31, 2012.

Investments

Investments consist principally of marketable equity securities and mutual funds.

Investments in marketable equity securities and mutual funds with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

Land, Property and Equipment

Land, property and equipment are recorded at cost or at the estimated fair value at the date of the gift if donated. Such gifts of land, property and equipment are reported as unrestricted support unless specific, donor stipulations specify how the donated assets must be used. Additions and improvements in excess of \$1,500 are capitalized, whereas costs of maintenance and repairs are expensed as incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on straight-line and declining balance bases. The estimated useful life for furniture, fixtures and equipment is 3 to 10 years, 10 to 20 years for building improvements, 27.5 years for rental property and 40 years for the building.

Net Asset Designations

The members of the Ronald McDonald House Charities, Northern Nevada Board of Trustees have designated unrestricted net assets for specific program use. These designations include:

- \$158,435 for the RMHC Scholarship Program to assist students attending college.
- \$673,612 for the Capital Property Reserve which is based on a long-range study of the cost of capital improvements over a 30 year period for the Reno Ronald McDonald House.
- \$76,928 for the Ronald McDonald Care Mobile as it goes into its ninth year of operations.
- \$200,000 for capital improvements to the Reno Ronald McDonald House, a home away from home for families of hospitalized children.
- \$15,000 for the RMHC Travel for Treatment program which assists families with travel for medical treatment.
- \$100,000 for the RMHC Family Room located at the Renown Children's Hospital.

The Board members, at their discretion, can revise the intended use of the net assets as they deem necessary.

RMHC has \$1,021,200 invested in land, property and equipment net of accumulated depreciation at December 31, 2012.

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenses

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

Contributed Services and Goods

The Organization is required to recognize the contributions of services if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services requiring specialized skills are those provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals and craftsmen.

The Organization received donated goods and services from various individuals and business for the years ended December 31, 2012 and 2011 totaling \$115,204 and \$55,362, respectively. A portion of these donated goods and services expenses are included in the net total for special events income on the statement of activities. Other donated services include meals made for guests, office help and house maintenance projects.

A substantial number of volunteers have donated a significant amount of services. The services donated do not meet the criteria for recognition as defined above. Accordingly, the financial statements do not reflect the value of these services.

Income Taxes

The Organization is a public charity, exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and has been classified as a non-private foundation that normally receives a substantial part of its support from the general public as provided by Internal Revenue Code Section 170(b)(1)(A)(VI). Accordingly, no provision for income taxes is included in the accompanying financial statements.

Tax positions to consider include but are not limited to:

- Classification of program services, administrative and fund raising
- Characterization of its activities as related or unrelated to its tax exempt purpose

It is the Organization's tax position that it has not engaged in activities that would jeopardize its exempt status nor has it engaged in activities that would result in unrelated business income tax.

Although the Organization has not been notified of any pending Internal Revenue Service (IRS) examinations, its returns are subject to examination within a three year statute of limitations. At December 31, 2012, the 2009 through the current period returns are subject to examination by the IRS.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Subsequent Events

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

NOTE 2 - INVESTMENTS AND FAIR VALUE

Investments consist of the following at fair value at December 31, 2012:

Mutual funds	\$ 1,625,156
Corporate stocks	443,765
Pooled investments	<u>15,274</u>
Total	<u>\$ 2,084,195</u>

Generally accepted accounting principles requires disclosures regarding fair value measurements which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization has no Level 2 investments for the year ended December 31, 2012.

	Level 1	Level 3	Total
Mutual funds	\$ 1,625,156	\$ -	\$ 1,625,156
Corporate stocks	443,765	-	443,765
Pooled investments	-	15,274	15,274
	<u>\$ 2,068,921</u>	<u>\$ 15,274</u>	<u>\$ 2,084,195</u>

Level 1 Fair Value Measurements

The fair value of equity securities is a determined by a quoted market price in an active market for identical assets that are accessible at the measurement date.

Level 3 Fair Value Measurements

The fair value of pooled investments is provided by the investment manager in quarterly statements. Detailed investment holdings are not provided. The fair value of Level 3 investments totals \$15,274 at December 31, 2012.

Following is a summary of the changes in Level 3 investments for the year ended December 31, 2012:

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 2 - INVESTMENTS AND FAIR VALUE (Continued)

Beginning balance	\$ 13,853
Investment income	274
Net realized and unrealized losses	1,400
Expenses	<u>(253)</u>
Ending balance	<u>\$ 15,274</u>

Gains and losses (realized and unrealized) are reported net in the statement of activities.

NOTE 3 - LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following at December 31, 2012:

Land and landscaping	\$ 194,848
Building and improvements	1,147,134
Family room	116,718
Furniture, fixtures and office equipment	346,589
Automobile	14,457
Artwork	<u>12,000</u>
	1,831,746
Less accumulated depreciation	<u>(810,546)</u>
Total	<u>\$ 1,021,200</u>

Depreciation expense for the year ended December 31, 2012 totals \$73,130.

During the year ended December 31, 2007, the Organization purchased adjacent property to the Ronald McDonald House. During 2012 both buildings on the property were rented.

NOTE 4 - PERMANENTLY RESTRICTED NET ASSETS

In 1993, the Organization received a donation for the purpose of establishing a permanent endowment. The principal of \$496,250 is restricted and may not be expended. The dividends and interest may be expended to fund house operations. These earnings are shown as unrestricted support, as they were expended during the period in which they were earned.

In 2006, the Organization received a donation for the purpose of establishing a permanent endowment to fund scholarship awards. The principal of \$20,000 is restricted and may not be expended. The dividends and interest may be expended to fund scholarship awards. These earnings are shown as unrestricted support, as they were expended during the period in which they were earned.

NOTE 5 - RETIREMENT PLAN

Effective January 1, 1999, the Organization implemented a Simple IRA plan for its employees. Employees must meet various eligibility requirements to participate in the plan. The Organization matches 100% of each employee's contribution up to 3% of total compensation. For the year ended December 31, 2012, the Organization contributed \$822 to the plan.

RONALD MCDONALD HOUSE CHARITIES, NORTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6 - RELATED PARTY TRANSACTIONS

During 2012, the Organization purchased computer supplies and services from a company owned by a member of the Board of Trustees. The total amount paid during the year ended December 31, 2012 is \$7,078. In addition, the Organization paid for advertising fees and maintenance and supplies related to the rental property management owned by a member of the Board of Trustees. The total amount paid during the year ended December 31, 2012 is \$3,460.

NOTE 7 - ENDOWMENT

The Organization has both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Such endowments are established for a variety of purposes related to the Organization's operations and collections. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported as unrestricted, temporarily restricted and permanently restricted net assets based solely on the existence or absence of donor-imposed restrictions. The endowment and quasi-endowment funds are classified in net assets as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 516,250	\$ 516,250
Board-designated	1,223,975	-	1,223,975
Total endowment funds	<u>\$ 1,223,975</u>	<u>\$ 516,250</u>	<u>\$ 1,740,225</u>

Following is a summary of the changes in endowment fund net assets for the year ended December 31, 2012:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 992,047	\$ 516,250	\$ 1,508,297
Investment return	-	13,715	13,715
Contributions	256,928	-	256,928
Appropriations for expenditure	<u>(25,000)</u>	<u>(13,715)</u>	<u>(38,715)</u>
Endowment net assets, end of year	<u>\$ 1,223,975</u>	<u>\$ 516,250</u>	<u>\$ 1,740,225</u>

Interpretation of Relevant Law

In the absence of explicit donor stipulations to the contrary, 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. As a result of this interpretation, 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described in UPMIFA. The Organization takes into consideration the following factors in its determination to appropriate or accumulate donor-restricted endowment funds in accordance with UPMIFA:

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NOTE 7 - ENDOWMENT (Continued)

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment funds
- General economic conditions, including the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization's investment policies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as perpetual fund. Such deficiencies are reflected as decreases in unrestricted or temporarily restricted net assets for the period.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets and other investments are invested in a manner to reflect principal and liquidity. Acceptable investments shall be: Certificates of Deposit and Bankers Acceptances rated A1; Domestic Corporation Commercial Paper rated A1 and/or P1 by two (2) major rating services; all short-term Securities of the U.S. Government. The Endowment Fund investment strategy shall be reviewed and evaluated by the Budget and Finance Committee annually, to ensure the portfolio's proper diversification, security and return on investments.

All financial institutions shall be selected and approved by the Budget and Finance Committee and must have long-term investment rating of A or higher by Standard and Poor's, or a compatible rating.

Strategies Employed for Achieving Objectives

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 capital appreciation (realized and unrealized) and current yield (interest and dividends.) The Organization targets a diversified asset allocation plan within prudent risk constraints. The Budget and Finance Committee of the Board of Trustees reviews this plan at least annually with its investment advisors.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

From the donor restricted endowment funds, the dividends and interest may be expended to fund costs as approved in accordance with the original donor's instructions. From the Board designated endowment funds, the Board has determined that \$25,000 will be spent annually from the Ronald McDonald Care Mobile designation. The other designations have been set aside for future purposes and will be spent at a time the Board deems necessary for the purpose as originally designated.

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NOTE 8 - COMMITMENTS

The Organization entered into an agreement to operate a family room in a local hospital. The Organization is responsible for maintaining, repairing and replacing all improvements, providing volunteer staffing and maintaining appropriate insurance.

The Organization entered into agreements to rent the houses, located on property owned by the Organization, on a month to month basis, with current monthly rental payments of \$1,250. The houses are valued at \$404,209, net of accumulated depreciation of \$16,679. During the year ended December 31, 2012, the Organization received rental income for the above leases totaling \$13,504.

The Ronald McDonald House is open and staffed 24 hours a day 7 days a week in case of emergency. There is an apartment located on site which is leased to the resident staff member for \$400 per month. In 2012, RMHC received \$4,400 in rental income from the resident staff apartment.