

**Ronald McDonald House
at Maria Fareri Children's Hospital, Inc.**

Operating as Ronald McDonald House of the Greater Hudson Valley

Financial Statements

December 31, 2015 and 2014

Independent Auditors' Report

The Board of Directors

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

We have audited the accompanying financial statements of Ronald McDonald House at Maria Fareri Children's Hospital, Inc. which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 at Maria Fareri Children's Hospital, Inc. as of December 31, 2015 and 2014, 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.

PKF O'Connor Davies, LLP

November 3, 2016

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Statements of Financial Position

	December 31,	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 92,566	\$ 41,150
Prepaid assets	1,000	-
Pledges receivable	-	14,065
Other receivable	12,035	5,910
Investments	2,531,449	2,540,557
Other assets	2,776	6,063
Total Current Assets	2,639,826	2,607,745
Furniture, fixtures and décor, net	125,028	210,181
Deferred rent charge	180,000	210,000
	\$ 2,944,854	\$ 3,027,926
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 330,183	\$ 258,287
Accrued expenses	41,201	36,548
Total Current Liabilities	371,384	294,835
Deferred rent payable	205,366	228,394
Total Liabilities	576,750	523,229
Net Assets		
Unrestricted	2,349,232	2,497,288
Temporarily restricted	18,872	7,409
Total Net Assets	2,368,104	2,504,697
	\$ 2,944,854	\$ 3,027,926

See notes to financial statements

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Statements of Activities

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Contributions	\$ 284,448	\$ 15,420	\$ 299,868	\$ 253,263	\$ 8,420	\$ 261,683
Grants from Ronald McDonald House Charities	150,000	-	150,000	100,000	-	100,000
Other grants	54,120	-	54,120	34,000	-	34,000
Fundraising events, net direct cost of \$108,103 and \$115,037	174,053	-	174,053	219,582	-	219,582
Room rentals	29,576	-	29,576	29,470	-	29,470
Room naming	-	-	-	14,500	-	14,500
Pop tab revenue	3,091	-	3,091	3,862	-	3,862
Net assets released from restrictions	3,957	(3,957)	-	6,276	(6,276)	-
Total Revenue	<u>699,245</u>	<u>11,463</u>	<u>710,708</u>	<u>660,953</u>	<u>2,144</u>	<u>663,097</u>
EXPENSES						
Program services	592,705	-	592,705	582,211	-	582,211
Management and general	131,482	-	131,482	121,041	-	121,041
Fundraising	89,603	-	89,603	89,900	-	89,900
Total Expenses	<u>813,790</u>	<u>-</u>	<u>813,790</u>	<u>793,152</u>	<u>-</u>	<u>793,152</u>
NON OPERATING ACTIVITIES						
Interest and dividends	49,760	-	49,760	45,942	-	45,942
Realized and unrealized gains (loss) on investments, net	(83,271)	-	(83,271)	(16,853)	-	(16,853)
Total Non-Operating Activities	<u>(33,511)</u>	<u>-</u>	<u>(33,511)</u>	<u>29,089</u>	<u>-</u>	<u>29,089</u>
Change in Net Assets	(148,056)	11,463	(136,593)	(103,110)	2,144	(100,966)
NET ASSETS						
Beginning of year	<u>2,497,288</u>	<u>7,409</u>	<u>2,504,697</u>	<u>2,600,398</u>	<u>5,265</u>	<u>2,605,663</u>
End of year	<u>\$ 2,349,232</u>	<u>\$ 18,872</u>	<u>\$ 2,368,104</u>	<u>\$ 2,497,288</u>	<u>\$ 7,409</u>	<u>\$ 2,504,697</u>

See notes to financial statements

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 179,725	\$ 30,890	\$ 70,205	\$ 280,820	\$ 171,403	\$ 29,460	\$ 66,954	\$ 267,817
Payroll taxes	15,811	2,761	6,525	25,097	23,998	4,190	9,904	38,092
Rental expense	98,068	6,537	4,359	108,964	71,796	4,786	3,191	79,773
Printing	-	-	-	-	329	311	329	969
Professional fees	-	53,952	-	53,952	-	51,132	-	51,132
Depreciation	79,566	5,304	3,537	88,407	79,189	5,279	3,520	87,988
Travel	2,229	2,281	674	5,184	1,362	1,394	412	3,168
House expense	191,278	-	-	191,278	201,725	-	-	201,725
Office expense	1,645	14,803	-	16,448	1,176	10,586	-	11,762
Postage	-	706	1,648	2,354	-	1,128	2,631	3,759
Insurance	21,238	2,654	2,655	26,547	23,674	2,959	2,959	29,592
Repairs and maintenance	1,636	-	-	1,636	6,617	-	-	6,617
Bad debt expense	-	5,650	-	5,650	-	-	-	-
Staff training and development	-	4,495	-	4,495	-	4,896	-	4,896
Internet charges	-	-	-	-	-	4,014	-	4,014
Other expense	1,509	1,449	-	2,958	942	906	-	1,848
Total Expenses	\$ 592,705	\$ 131,482	\$ 89,603	\$ 813,790	\$ 582,211	\$ 121,041	\$ 89,900	\$ 793,152

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (136,593)	\$ (100,966)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	88,407	87,988
Realized and unrealized loss on investment	83,271	16,853
Donated equipment	(3,254)	-
Bad debt expense	5,650	-
Changes in operating assets and liabilities		
Pledges receivable	8,415	(2,302)
Third party fundraising receivable	-	(3,755)
Other receivables	(6,125)	16,845
Prepaid assets	(1,000)	3,200
Other assets	3,287	-
Accounts payable	71,896	70,131
Accrued expenses	4,653	(13,590)
Deferred rent	6,972	8,845
	<u>125,579</u>	<u>83,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,181,113	960,347
Purchases of investments	<u>(1,255,276)</u>	<u>(1,023,451)</u>
	<u>(74,163)</u>	<u>(63,104)</u>
Net Cash from Investing Activities	<u>(74,163)</u>	<u>(63,104)</u>
Net Change in Cash and Cash Equivalents	51,416	20,145
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>41,150</u>	<u>21,005</u>
End of year	<u>\$ 92,566</u>	<u>\$ 41,150</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated equipment	\$ 3,254	-

See notes to financial statements

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

1. Organization and Mission Statement

Ronald McDonald House at Maria Fareri Children's Hospital, Inc. (operating as Ronald McDonald House of the Greater Hudson Valley) (the "Organization") is a non-profit organization. The Organization operates in Westchester County, New York to provide temporary housing for the families of seriously ill children while the children are receiving treatment at the hospital.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; and, therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization is a public charity under Section 509(a)(1) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned and expenses in the accounting period in which expenses are incurred regardless of when cash is received or disbursed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Classes of Net Assets

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's operations. Temporarily restricted amounts are those which are stipulated by donors for specific purposes or periods. When a donor restriction expires, that is, when a stipulated time restriction and/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.

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the time of purchase are considered to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. In addition, cash equivalents may, at times, be invested in instruments not covered by federal insurance.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2015 and 2014, management believes that no allowance for uncollectible receivables is required.

Fair Value of Financial Instruments

The Organization follows U.S. GAAP guidance on *Fair Value Measurements*, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Investments

Investments are carried at fair value except for certificates of deposit which are carried at cost plus accrued interest.

Investment Income

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. The Organization's policy is to report as unrestricted support contributions with donor-imposed restrictions when the restrictions are met in the same year that the contributions are received. Marketable securities received as a gift or bequests are recorded at fair value at the date of contribution.

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (*continued*)

Public Support and Revenue

Public support is generally recorded as revenue at time of receipt. Unconditional promises to give are recognized as revenue in the period made. Conditional promises are recorded when the conditions are met. Unconditional promise to give securities and donated services are recorded at their fair value. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated Goods and Services

The Organization recognizes donated services that creates or enhances non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A large number of people have contributed significant amounts of time to the activities of the Organization without compensation. No amounts have been recognized in the statement of activities because the criteria for recognition under U.S. GAAP have not been satisfied.

Functional Expenses

The Organization allocates its expenses on a functional basis between its program and supporting services. Expenses which can be identified with a specific program or supporting activity are charged directly to that program or activity. Other expenses that are common to several functions are allocated among the program and supporting services benefited based on management's estimate.

Advertising

Advertising costs are expensed as incurred.

Furniture, Fixtures and Décor

Furniture, fixtures, and décor are stated at cost, or if donated, at approximate fair market value at the date of donation. Acquisition of furniture, fixtures and décor in excess of \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets which range from 3 to 6 years.

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2012.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 3, 2016.

3. Investments

The Organization's investments categorized by the fair value on a recurring basis, for those investments measured by the fair value hierarchy at December 31, 2015 and 2014 are as follows:

	2015		
	Cost	Fair Value	Unrealized Gain (Loss)
Level 1:			
Money market funds	\$ 405,991	\$ 406,539	\$ 548
Common stock	740,003	731,155	(8,848)
Mutual funds	590,791	543,695	(47,096)
Exchange-traded and closed-end funds	294,913	283,439	(11,474)
	<u>2,031,698</u>	<u>1,964,828</u>	<u>(66,870)</u>
Level 2:			
Government bonds	35,819	34,810	(1,009)
Corporate bonds	31,475	31,494	19
Total at fair value	2,098,992	2,031,132	(67,860)
Bank certificates of deposit	500,000	500,317	317
Total Investments	<u>\$ 2,598,992</u>	<u>\$ 2,531,449</u>	<u>\$ (67,543)</u>

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

3. Investments (continued)

	2014		
	Cost	Fair Value	Unrealized Gain (Loss)
Level 1:			
Money market funds	\$ 280,491	\$ 280,491	\$ -
Common stock	641,180	687,518	46,338
Mutual funds	552,836	535,420	(17,416)
Exchange-traded and closed-end funds	256,261	256,447	186
	<u>1,730,768</u>	<u>1,759,876</u>	<u>29,108</u>
Level 2:			
Government bonds	37,476	38,092	616
Corporate bonds	15,122	15,329	207
Total at fair value	<u>1,783,366</u>	<u>1,813,297</u>	<u>29,931</u>
Bank certificates of deposit	<u>725,000</u>	<u>727,260</u>	<u>2,260</u>
Total Investments	<u>\$ 2,508,366</u>	<u>\$ 2,540,557</u>	<u>\$ 32,191</u>

The Organization's certificates of deposit are insured by the Federal Deposit Insurance Corporation ("FDIC") and have maturity dates from three to eighteen months.

4. Furniture, Fixtures, and Décor

Furniture, fixtures and décor consists of the following at December 31:

	2015	2014
Donated furniture, fixtures and décor	\$ 527,863	\$ 524,609
Less accumulated depreciation	<u>(402,835)</u>	<u>(314,428)</u>
	<u>\$ 125,028</u>	<u>\$ 210,181</u>

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for donor specified purposes, as follows:

	<u>2015</u>	<u>2014</u>
For food and beverages	\$ 6,772	\$ 5,309
For appliance acquisitions	<u>12,100</u>	<u>2,100</u>
	<u>\$ 18,872</u>	<u>\$ 7,409</u>

The amounts released from restriction were as follow for the year ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
For food and beverages	<u>\$ 3,957</u>	<u>\$ 6,276</u>
	<u>\$ 3,957</u>	<u>\$ 6,276</u>

6. Concentrations

Ronald McDonald House Charities made an unrestricted grant to the Organization which comprised approximately 21% and 15% of the Organization's contribution income during 2015 and 2014.

7. Commitments and Contingencies

License

In 2011, the Maria Fareri Children's Hospital (the "Hospital") completed the construction of a free-standing, 15,700 square foot house with 12 family rooms to be used by the Organization to carry out its purpose of providing housing to the families of children being cared for at the Hospital. The house also contains office space for the Organization, common area living and dining space, washers and dryers, and two kitchens.

An amendment to the license agreement provides the Organization with the use of the house until 2021 with an extension under certain circumstances. The house was completed and the Organization began operations in the new space in April 2011.

Ronald McDonald House at Maria Fareri Children's Hospital, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

7. Commitments and Contingencies (continued)

The rent payments under the license agreement for the next 5 years and thereafter are payable as follows:

2016	\$ 73,068
2017	74,164
2018	75,276
2019	76,408
2020	77,556
Thereafter	<u>872,616</u>
	<u>\$ 1,249,088</u>

8. Deferred Rent

In 2012, the Organization executed a written agreement to pay the Hospital \$30,000 per year for 10 years toward the construction of the new House. The written agreement formalized a prior verbal agreement. The Organization recognized a \$300,000 deferred rent asset and deferred rent liability in 2012 to recognize the substance of this transaction. The Organization has recognized \$30,000 as amortization for 2015 and 2014. As of December 31, 2015 and 2014, deferred rent totaled \$180,000 and \$210,000.

9. Related Party Transactions

The Organization's legal affairs are handled by a law firm in which a member of the Board of Directors is a partner. No legal fees were incurred in 2015 and 2014.

10. Fund-Raising Events

The Organization sponsors and participates in fund-raising events sponsored by third parties. The ratio of expenses to amounts raised is computed using actual direct expenses and related contributions on the accrual basis.

The Organization's major fund-raising events in 2015 and 2014 were:

		2015							
		Golf Outing	Heart Campaign	Walkathon	Clay Shoot	Third Party Fundraising	Third Party Board	Other	Total
Income	\$	74,052	\$ 91,094	\$ 31,168	\$ 19,780	\$ 37,194	\$ 5,820	\$ 23,048	\$ 282,156
Direct donor benefit expense	\$	59,867	16,982	5,196	9,228	2,866	2,634	11,330	108,103
Net Income	\$	14,185	\$ 74,112	\$ 25,972	\$ 10,552	\$ 34,328	\$ 3,186	\$ 11,718	\$ 174,053

		2014							
		Golf Outing	Heart Campaign	Walkathon	Clay Shoot	Third Party Fundraising	Third Party Board	Other	Total
Income	\$	111,651	\$ 74,190	\$ 44,860	\$ 33,640	\$ 28,151	\$ 23,520	\$ 18,607	\$ 334,619
Direct donor benefit expense	\$	61,481	4,316	8,923	13,991	2,537	4,961	18,828	115,037
Net Income	\$	50,170	\$ 69,874	\$ 35,937	\$ 19,649	\$ 25,614	\$ 18,559	\$ (221)	\$ 219,582

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