Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN CALIFORNIA

December 31, 2013 (With Comparative Summarized Financial Information for December 31, 2012)

CONTENTS

Audit – Tax – Advisory

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Report Of Independent Certified Public Accountants

Board of Directors
Ronald McDonald House Charities of Southern California

Report on the financial statements

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Southern California (a nonprofit organization) and subsidiaries, RMHCSC Holdings LLC and Los Angeles Electing Small Business Trust (collectively known as the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald Charities of Southern California and subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Combining Schedule of Financial Position by Location as of December 31, 2013 and the Combining Schedule of Activities by Location for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2012 summarized comparative information

We have previously audited the Organization's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 13, 2013. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
September 10, 2014

Ronald McDonald House Charities of Southern California

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2013

(With Comparative Summarized Financial Information as of December 31, 2012)

	2013	2012
Assets		
Cash and cash equivalents	$ 6,168,714	$ 5,459,493
Investments (Note 4)	21,634,103	18,529,827
Contributions receivable (net) (Note 5)	857,103	1,865,744
In-kind and other receivables	1,980,913	2,202,625
Prepaid expenses and other assets	199,155	202,419
Land, buildings, and equipment (net) (Note 7)	29,532,671	30,858,963
Total assets	$ 60,372,659	$ 59,119,071
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,035,983	$ 1,161,873
Notes payable (Note 13)	4,142,607	4,707,708
Total liabilities	5,178,590	5,869,581
Net assets		
Unrestricted	42,194,525	42,097,123
Temporarily restricted	9,231,121	7,656,544
Permanently restricted	3,768,423	3,495,823
Total net assets	55,194,069	53,249,490
Total liabilities and net assets	$ 60,372,659	$ 59,119,071

The accompanying notes are an integral part of these consolidated financial statements.

Ronald McDonald House Charities of Southern California

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

(With Comparative Summarized Financial Information for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Revenues and Support					
Contributions	$ 3,895,263	$ 1,695,445	$ 272,600	$ 5,863,308	$ 6,108,575
Capital campaigns	-	512,240	-	512,240	553,448
In-kind contributions	235,396	-	-	235,396	428,648
Special event revenues	4,280,064	342,791	-	4,622,855	4,429,913
Special event expenses	(982,175)	(142,106)	-	(1,124,281)	(1,111,744)
	3,297,889	200,685	-	3,498,574	3,318,169
Realized investment gains, net	1,022,635	606,987	-	1,629,622	358,230
Unrealized investment (losses) gains	(89,806)	(123,688)	-	(213,494)	1,180,319
Program fees	314,217	-	-	314,217	322,104
Rental and other income	447,872	-	-	447,872	297,300
Income before release from restrictions	9,123,466	2,891,669	272,600	12,287,735	12,566,793
Released from restrictions					
Operations	829,424	(829,424)	-	-	-
Endowments	487,668	(487,668)	-	-	-
Total revenues and support	10,440,558	1,574,577	272,600	12,287,735	12,566,793
Expenses					
Programs	7,521,880	-	-	7,521,880	8,024,446
Management and general	1,308,456	-	-	1,308,456	1,229,001
Fundraising	1,512,820	-	-	1,512,820	1,660,374
Total expenses	10,343,156	-	-	10,343,156	10,913,821
Change in net assets	97,402	1,574,577	272,600	1,944,579	1,652,972
Net assets - beginning	42,097,123	7,656,544	3,495,823	53,249,490	51,596,518
Net assets - ending	$ 42,194,525	$ 9,231,121	$ 3,768,423	$ 55,194,069	$ 53,249,490

The accompanying notes are an integral part of these consolidated financial statements.

Ronald McDonald House Charities of Southern California

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

(With Comparative Summarized Financial Information for the Year Ended December 31, 2012)

	Houses	Camp	Other Programs	Total Programs	Management and General	Fundraising	2013 Total	2012 Total
Salaries and related costs								
Salaries	$ 1,929,215	$ 399,521	$ -	$ 2,328,736	$ 684,225	$ 733,725	$ 3,746,686	$ 3,764,588
Employee benefits	285,956	60,230	-	346,186	32,823	98,211	477,220	540,234
Payroll taxes	198,400	36,433	-	234,833	32,551	61,800	329,184	319,181
Retirement plan	43,379	9,636	-	53,015	10,556	19,521	83,092	91,623
Total salaries and related costs	2,456,950	505,820	-	2,962,770	760,155	913,257	4,636,182	4,715,626
Expenses								
HACER scholarships and grants	-	-	580,168	580,168	-	-	580,168	818,920
Contributions to RMHC Global	-	-	162,187	162,187	-	-	162,187	189,422
Activities and fees	82,821	25,272	6,820	114,913	-	-	114,913	114,417
Guest hotel costs	144,986	-	-	144,986	-	-	144,986	192,566
Guest services	1,816	164,570	-	166,386	-	-	166,386	163,927
Insurance	168,621	62,372	-	230,993	17,803	30,248	279,044	278,636
Utilities	239,849	53,150	-	292,999	22,582	38,368	353,949	335,282
Repairs and maintenance	123,068	68,164	41	191,273	14,739	25,042	231,054	278,240
Rent	131,850	100,474	-	232,324	17,906	30,423	280,653	297,530
Supplies	74,569	6,074	3,002	83,645	6,447	10,953	101,045	99,319
Outside services	29,638	9,490	-	39,128	-	47,303	86,431	73,283
Food and catering	33,391	-	-	33,391	2,736	11,956	48,083	38,376
Cleaning, gardening and housekeeping	108,623	5,638	118	114,379	-	-	114,379	124,878
Automobile costs	39,790	14,340	1,258	55,388	5,867	1,980	63,235	59,327
Printing	45,236	3,681	365	49,282	4,113	17,667	71,062	75,335
Advertising and promotion	13,961	6,070	54	20,085	3,828	1,405	25,318	20,369
Canister costs	-	-	-	-	-	186,743	186,743	194,722
Professional fees	144,826	239,586	-	384,412	72,069	9,589	466,070	482,453
Equipment	104,034	14,847	1,174	120,055	383	1,186	121,624	300,180
Telephone	72,095	13,868	720	86,683	6,625	11,257	104,565	96,332
Postage	27,411	5,150	1,006	33,567	2,510	15,258	51,335	41,825
Employee development	9,148	7,440	-	16,588	69,420	431	86,439	37,501
Conferences and meetings	35,207	6,849	-	42,056	118	-	42,174	18,651
Temporary labor	6,026	431	-	6,457	5,762	1,636	13,855	70,377
Property taxes	13,261	-	-	13,261	-	-	13,261	15,451
Tax related charges and expenses	1,551	53	-	1,604	224	-	1,828	1,217
Bank charges	4,530	535	1,858	6,923	19,793	1,623	28,339	27,034
Interest expense	-	-	-	-	111,258	-	111,258	120,808
Other expenses	29,663	4,794	620	35,077	5,310	6,427	46,814	118,979
Expenses before depreciation and income taxes	4,142,921	1,318,668	759,391	6,220,980	1,149,648	1,362,752	8,733,380	9,400,983
Depreciation	1,018,793	282,107	-	1,300,900	90,008	150,068	1,540,976	1,492,338
Trust's income taxes	-	-	-	-	68,800	-	68,800	20,500
Total expenditures	$ 5,161,714	$ 1,600,775	$ 759,391	$ 7,521,880	$ 1,308,456	$ 1,512,820	$ 10,343,156	$ 10,913,821

The accompanying notes are an integral part of these consolidated financial statements.

Ronald McDonald House Charities of Southern California

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

(With Comparative Summarized Financial Information for the Year Ended December 31, 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 1,944,579	$ 1,652,972
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	1,540,976	1,492,338
Contributions restricted for long-term and capital projects	(884,840)	(553,448)
Net realized and unrealized investment gains	(1,357,128)	(1,458,549)
Unrealized gain on interest of land trust	(59,000)	(80,000)
Loss (gain) on sale of assets	1,619	(750)
In-kind contributions of property and equipment	(1,049)	(60,172)
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	380,341	152,738
In-kind and other receivables	221,712	66,859
Prepaid expenses and other assets	3,264	(13,644)
Accounts payable and accrued expenses	(171,892)	(167,009)
Net cash provided by operating activities	1,618,582	1,031,335
Cash flows from investing activities		
Purchases of investments	(18,473,087)	(3,835,472)
Proceeds from sales and maturities of investments	16,784,939	4,815,156
Purchases of property and equipment	(171,891)	(2,711,404)
Proceeds from sale of property and equipment	2,639	750
Net cash used in investing activities	(1,857,400)	(1,730,970)
Cash flows from financing activities		
Contributions collected for long-term and capital purposes	1,513,140	1,821,277
Payments on long-term borrowings	(565,101)	(155,725)
Net cash provided by financing activities	948,039	1,665,552
Net increase in cash and cash equivalents	709,221	965,917
Cash and cash equivalents - beginning of year	5,459,493	4,493,576
Cash and cash equivalents - end of year	$ 6,168,714	$ 5,459,493
Supplemental cash flow information:		
Interest payments included in cash flow from operations	$ 111,258	$ 120,808
Income taxes paid in cash flow from operations	$ 37,000	$ 20,500
In-kind contributions of goods and services included in cash flows from operating activities	$ 235,396	$ 428,648
Investing and financing activities not affecting cash		
Purchase of property and equipment by assuming short term liabilities	$ 46,002	$ -

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

Ronald McDonald House Charities of Southern California ("RMHCSC" or the "Organization") is a not-for-profit corporation organized in California in 1977. The Organization's mission is to provide comfort, care, and support to children and families in Southern California. The Organization owns and/or operates houses for this purpose in Los Angeles, Orange, Loma Linda, Pasadena, Bakersfield and Long Beach, California. It also operates Camp Ronald McDonald for Good Times (the "Camp"), as well as grant and scholarship programs.

The Organization has controlling interests in Los Angeles Electing Small Business Trust ("LA ESBT") and RMHCSC Holdings LLC. Both LA ESBT and RMHCSC Holdings LLC hold interest in real property located primarily in the Los Angeles area. The interest was received as part of a bequest from a donor to support RMHCSC's capital campaign. Every year, both entities also receive rental income and all the income is given to RMHCSC as contributions. As RMHCSC has a controlling interest in both entities, RMHCSC consolidated the two entities into RMHCSC's Statement of Financial Position and Statement of Activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). All intercompany transactions have been eliminated.

Net Assets

The Organization reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the Board of Directors (the "Board").

Temporarily restricted net assets consist of contributions with donor-imposed restrictions requiring that the donations be used for a specified location, a specified purpose, or during a future specified period of time. To the extent contributions for each location's operations exceed operating costs, current restricted revenues are added to temporarily restricted net assets. To the extent the location's operating costs exceed current year contributions, prior temporarily restricted revenues are released from restriction and used to support current operations.

Permanently restricted net assets consist of contributions that must be held in perpetuity, based on restrictions imposed by donors. The earnings on these invested assets may be used in support of operations.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Summarized Information
The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information is included for informational purposes only and should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

Cash and Cash Equivalents
Short-term investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents. Short-term investments with an original maturity greater than three months are included in investments. Cash and cash equivalents are reported at cost, which approximates market value. The Organization maintains cash in various financial institutions that periodically, and as of year-end, exceeds federally insured limits of $250,000. The amount in excess of federally insured limits is $5,399,956 and $5,017,874 as of December 31, 2013 and 2012, respectively. Management does not consider this concentration to be a significant credit risk.

Investments
Investments consist of money market, fixed income, different types of equity fund investments, and managed futures restricted by donors or designated by the Board for long-term investment. Under the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 958-320, *Investments – Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the consolidated statement of financial position. Net appreciation (depreciation) in the fair value of investments, which consists of both the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the consolidated statement of activities.

Investments which are not publicly traded consist primarily of money market funds and are recorded at fair value using the net asset value ("NAV"). The Organization uses the NAV to determine the fair value of the underlying investments which (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. Depending on the underlying asset, the NAV is determined by the underlying fund manager through national exchange price for securities with a readily determinable value or valuations and estimates. The financial statements of those investments are audited annually (typically June 30 or December 31) by independent auditors.

Investment return on restricted assets is reported as an increase in unrestricted net assets if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - Continued
Interest income and dividend income are accrued as earned. Investment activities and results on the financial statements include investment advisory and management fees. All security transactions are recorded on a trade date basis.

Donated Services and Noncash Gifts
Many individuals have donated time and services to advance the Organization's programs and objectives. In some instances, the value of these services has not been recorded in the consolidated financial statements because they do not meet the requirements for recognition under US GAAP. Many other donated goods and products used in programs were received but are not recorded in the consolidated financial statements because there is no objective basis for measuring their values. See Note 14 for the listing of in-kind goods and services that satisfied the revenue recognition and valuation requirements. These items are recorded as income, as well as expenses in the appropriate expense category.

Land, Buildings, and Equipment
Land, buildings and equipment are presented at cost or donated value and are being depreciated on the straight-line method over the useful lives of 3-5 years for vehicles, 3-15 years for fixtures and equipment, and 15-30 years for buildings and improvements. The Organization's policy is to capitalize all asset improvements in excess of $1,000 that extend the useful life or increase the utility of the property.

Accounting for the Impairment of Long-Lived Assets and Disposal of Long-Lived Assets
The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2013 and 2012, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Asset Retirement Obligations
A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Organization. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of the liabilities. The obligation to perform the net asset retirement activity is unconditional, and accordingly, a liability should be recognized. The fair value of the liability for an asset retirement obligation is recorded by the Organization as an asset and a liability when there is a legal obligation associated with the retirement of a long-lived asset and the amount can be reasonably estimated. During the years ended December 31, 2013 and 2012, there were no capitalized asset retirement costs in land, buildings and equipment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Expense Recognition
Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution is received are included in unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity. Expenses are recognized when incurred.

Functional Expense Reporting
The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities and detailed in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Advertising Expenses
Advertising costs are expensed as incurred. During 2013 and 2012, advertising costs were approximately $25,300, and $20,400, respectively, and are reported as advertising and promotional expenses on the consolidated statement of functional expense.

Income Taxes
The Organization has been recognized by the Internal Revenue Service as an organization that is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. It is however subject to tax on net unrelated business income. In accordance with FASB ASC No. 740, *Uncertainty in Income Taxes*, the Organization recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization has evaluated its tax positions for the open tax years of 2010 through 2012 for federal tax purposes and 2009 through 2012 for California tax purposes. As of December 31, 2013 and 2012, the Organization has determined that there are no other material uncertain tax positions that require recognition or disclosure in the consolidated financial statements or which may have an effect on its tax exempt status nor is material change to uncertain tax positions anticipated during 12 months following December 31, 2013.

The Organization, on behalf of the Los Angeles House ("House"), is the sole trustee of an electing small business trust ("ESBT") that qualifies as a California S Corporation stockholder, but is treated as a separate trust for tax purposes (see Note 9).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates
The preparation of financial statements in conformity with US GAAP 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 and expenses during the reporting period. While management believes that these estimates are adequate as of December 31, 2013 and 2012, it is possible that actual results could differ from those estimates.

NOTE 3 – SIGNIFICANT ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, *Fair Value Measurements – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* ASU 2011-04 changes the wording used to describe many requirements for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The guidance was adopted by the Organization during the year ended December 31, 2013, and did not have a material impact on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows (Topic 230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in the update require not-for-profit entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale and were converted nearly immediately into cash. The adoption of ASU 2012-05 is effective prospectively for fiscal years beginning after June15, 2013; however, retrospective application to all prior periods presented upon the date of adoption is permitted. The guidance was adopted by the Organization during the year ended December 31, 2013, and did not have a material impact on its consolidated financial statements.

NOTE 4 – INVESTMENTS

RMHCSC accounts for its investments at fair value. ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

NOTE 4 – INVESTMENTS - Continued

The three levels of fair value hierarchy are described below:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that RMHCSC has the ability to access at the measurement date. These investments include cash and cash equivalents and short term investments.

Level 2 Valuations based on inputs, including broker quotes, in markets that are not active or for which all significant inputs are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. These investments include money market funds.

Level 3 Valuations based on inputs that are both significant to the fair value measurement and unobservable, as they trade infrequently and therefore have little or no price transparency. These inputs into the determination of fair value require significant management judgment or estimation and these investments typically are privately held investments and partnership interests.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will be rare.

The Organization holds marketable debt and equity securities that are intended to provide resources to be used for programs and operations. A portion of these investments are permanently restricted by donor stipulation, and the remainder is a combination of temporarily restricted and unrestricted amounts.

NOTE 4 – INVESTMENTS - Continued

The fair values of investments that are measured on a recurring basis are listed below:

	December 31, 2013				December 31, 2012
Asset Class	Level 1	Level 2	Level 3	Total	Total
Mutual funds / exchange traded funds:					
Equity - large cap domestic (a)	$ 942,546	$ -	$ -	$ 942,546	$ 530,955
Equity - international (b)	1,989,729	-	-	1,989,729	940,282
Equity - emerging markets (c)	306,399	-	-	306,399	394,289
Equity - global (d)	1,944,486	-	-	1,944,486	629,900
Fixed income - domestic (e)	6,341,643	-	-	6,341,643	5,575,780
Fixed income - global (f)	2,036,279	-	-	2,036,279	1,612,183
Absolute return (g)	2,949,568	908,011	-	3,857,579	2,614,546
Cash and cash equivalents	113,031	-	-	113,031	112,594
Separately managed accounts:					
Equity - large cap domestic (h)	1,171,088	-	-	1,171,088	2,096,211
Equity - small-mid cap domestic (i)	204,182	-	-	204,182	641,011
Managed futures (j)	461,576	-	-	461,576	367,299
Money market funds:	-	743,565	-	743,565	1,551,777
	18,460,527	1,651,576	-	20,112,103	17,066,827
Interest in land trust	-	-	964,000	964,000	1,090,000
Interest in limited liability company	-	-	558,000	558,000	373,000
	-	-	1,522,000	1,522,000	1,463,000
	$18,460,527	$1,651,576	$1,522,000	$21,634,103	$18,529,827

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 as of the end of the year or change in circumstances that caused the transfer. There has been no transfer from the Level 1 and Level 2 assets to Level 3 during 2013 and 2012.

(a) Equity – large cap domestic - Comprised of mutual funds investing primarily in common stocks of U.S. companies with market capitalizations similar to companies in the Russell 3000 Index. The funds may invest up to 35% of assets in common stocks of non-U.S. companies with similar market capitalizations.

(b) Equity – international - Comprised of mutual funds investing no less than 65% of assets in equity securities of non-U.S. companies with market capitalizations generally in excess of $1 billion. While generally limited in their use, the funds may invest in derivative securities.

NOTE 4 – INVESTMENTS - Continued

(c) Equity – emerging markets - Comprised of a mutual fund investing in equity securities of non-U.S companies, generally located in developing economies with market capitalizations generally in excess of $1 billion. While generally limited in their use, the fund may invest in fixed income instruments as well as derivative securities.
(d) Equity – global - Comprised of a mutual fund investing in the following security types issued by both U.S. and non-U.S. companies of various market capitalizations: primarily common stocks; secondarily fixed income securities (including sovereign debt, convertible bonds, and high yield), options, preferred stock and asset-backed securities.
(e) Fixed income– domestic - Comprised of mutual funds investing in fixed income instruments of varying maturities issued primarily by U.S. public or private-sector entities and secondarily by non-U.S. entities. Fixed income instruments include investment grade bonds and high yield securities but may also be represented by derivatives including forwards, options, futures, swaps and asset-backed securities. Securities of varying maturities are permitted as well as those denominated in currencies other than the U.S. dollar.
(f) Fixed income – global - Comprised of a mutual fund investing primarily in fixed income instruments issued by U.S. and non-U.S. governments and government agencies. Fixed income instruments may also include those issued by corporations and may be represented by derivatives, high yield and convertible debt, commercial paper and certificates of deposit.
(g) Absolute return - Comprised of mutual funds investing in equity and debt securities issued by U.S. public or private-sector entities, including corporations, governments and government agencies, as well as non-U.S. entities. Long and short positions may also be taken in the following types of foreign and domestically issued securities: common and preferred stocks, exchange traded funds, other mutual funds, U.S. Treasury inflation-protect securities, derivatives and commodities.
(h) Separately Managed - Equity – large cap domestic - Comprised primarily of common stocks of U.S. companies with market capitalizations similar to companies in the Russell 1000 Index.
(i) Separately Managed - Equity – small-mid cap domestic - Comprised primarily of common stocks of U.S. companies with market capitalizations similar to companies in the Russell 2500 Index.
(j) Separately Managed - Managed futures - Comprised of mutual funds that invest primarily in futures, forwards and covered options which are all marked-to-market daily and traded on public exchanges. The fund invests in both U.S and non-U.S. companies.

The Organization's valuation methodologies used for mutual fund assets, money market funds, and separately managed funds measured at fair value are based on NAV of shares held by the Organization at year end. There have been no changes in the methodologies used at December 31, 2013 and 2012. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4 – INVESTMENTS - Continued

The Los Angeles house has a beneficial interest in a land trust that holds real property located primarily in the Los Angeles area. This interest was received as a bequest from a donor to the Los Angeles house's capital campaign. Valuations of the trust properties are based on real estate comparables as of year end, obtained from an independent real estate professional. These comparables were used to value the investment using the sales comparable appraisal method. The sales comparable method is a method that uses the average dollar per square foot of comparables sold to value the investment. Using these comparables, the fair market value of the interest in the land trust was estimated to be $964,000 and $1,090,000 at December 31, 2013 and 2012, respectively.

The Los Angeles house is the sole member of a California limited liability company ("LLC") that is a general partner in a company that holds real property located primarily in the Los Angeles area. This interest was received as a bequest from a donor to the Los Angeles house's capital campaign. Valuations of the LLC's properties are based on real estate comparables as of year end, obtained from an independent real estate professional. These comparables were used to value the investment using the capitalization method. The capitalization method is a method that capitalizes an income stream into a value indication by converting a series of future periodic installments of net income into present value. The present value of the income stream is calculated using an overall capitalization rate, which is the capitalization rate plus a recapture (or sinking fund) rate. At December 31, 2013, the capitalization rate is 7.49% and sinking fund rate is 13.1%, resulting in an Overall Rate (OAR) of 20.59%. Using these comparables and rates, the fair market value of the interest in the land trust was estimated to be $558,000 at December 31, 2013. At December 31, 2012, the capitalization rate was 8.91% and sinking fund rate was 11.8%, resulting in an OAR of 20.71%. Using these comparables and rates, the fair market value of the interest in the land trust was estimated to be $373,000 at December 31, 2012.

The 2013 and 2012 activity in the land trust was as follows:

	2013	2012
Balance at the beginning of the year	$ 1,090,000	$ 952,000
Adjustment to fair value	(126,000)	138,000
Balance at the end of the year	$ 964,000	$ 1,090,000

The 2013 and 2012 activity in the limited liability company was as follows:

	2013	2012
Balance at the beginning of the year	$ 373,000	$ 431,000
Adjustment to fair value	185,000	(58,000)
Balance at the end of the year	$ 558,000	$ 373,000

NOTE 4 – INVESTMENTS - Continued

Investment income (losses) and expenses consisted of the following for the year ended December 31, 2013 and 2012:

	2013	2012
Interest and dividend income	$ 396,831	$ 520,177
Gain (loss) on sales of investments	1,331,947	(79,604)
Investment broker fees	(99,156)	(82,343)
Unrealized (losses) gains on investments	(272,494)	1,100,319
Unrealized gains on land trust and limited liability company	59,000	80,000
Total realized and unrealized investment gains, net	$ 1,416,128	$ 1,538,549

The following tables present the category, fair value, redemption frequency, and redemption notice period for the investments, the fair values of which are estimated using the NAV per share as of December 31, 2013 and 2012:

	December 31, 2013		
	Fair value	Redemption frequency	Redemption notice period
Mutual funds / exchange traded funds:			
Absolute return	$ 908,011	Daily	Daily
Money market funds	$ 743,565	Daily	Daily

	December 31, 2012		
	Fair value	Redemption frequency	Redemption notice period
Money market funds	$ 1,551,777	Daily	Daily

The Level 3 investments are not redeemable until they are sold.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2013 and 2012 consist of the following amounts:

	2013	2012
Capital campaign contributions due to Los Angeles House	$ 8,500	$ 8,500
Contributions due to Bakersfield House	14,000	24,000
Capital campaign contributions due to Camp	96,910	102,910
Capital campaign contributions due to Long Beach House	693,340	1,407,244
Capital campaign contributions due to Community Grants Board	125,000	500,000
Contributions receivable before adjustment to fair value	937,750	2,042,654
Less: adjustments to record contributions receivable at fair value		
Discount to present value	(15,223)	(45,656)
Allowance for uncollectible pledges	(65,424)	(131,254)
Total contributions receivable, net	$ 857,103	$ 1,865,744

Contributions receivable are expected to be realized in the following periods:

Due in one year or less	$ 844,107
Due between one and five years	93,643
	$ 937,750

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting, at rates ranging from 1.69% to 2.00%, to the present value of the future cash flows. Unconditional promises to give received during the years ended December 31, 2013 have been discounted at credit-adjusted rates in accordance with ASC 820.

The Organization has established an allowance for uncollectible pledges to further adjust pledges receivable to fair value. Management records a 75% allowance for pledges that have not been collected for three years.

NOTE 6 – CAPITAL CAMPAIGNS

The Long Beach House began a capital campaign in 2007 to raise funds for construction of facilities. The campaign has raised approximately $6.5 million. The balance of pledges receivable at December 31, 2013 of approximately $693,000 is scheduled to be received between 2014 and 2016.

The Los Angeles House began a capital campaign in 2007 to raise funds for the construction of an addition to its operating facility. As of December 31, 2013, the campaign has raised approximately $14.5 million, of which approximately $1.8 million was comprised of an interest in a land trust. The balance of pledges receivable at December 31, 2013 of $8,500 is scheduled to be received in 2014.

NOTE 6 – CAPITAL CAMPAIGNS - Continued

Camp Ronald McDonald for Good Times began a capital campaign in 2005 to raise funds for the renovation of existing facilities, as well as the construction of additional facilities. As of December 31, 2013, the campaign has raised approximately $4.5 million. The balance of pledges receivable at December 31, 2013 of approximately $97,000 is scheduled to be received in 2014.

Over the years, the McDonald's Operators' Association of Southern California has contributed to the Organization's capital campaigns. As of December 31, 2013, $125,000, was recorded as a pledge receivable for future capital campaigns to be allocated as directed by the RMHCSC Board of Directors.

NOTE 7 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment was comprised of the following at December 31, 2013 and 2012:

	2013	2012
Construction projects in progress	$ 797,952	$ 604,311
Land	5,205,554	5,205,554
Buildings and improvements	33,495,168	33,492,668
Furniture and fixtures	4,262,628	4,245,103
Transportation equipment	191,063	191,063
Less: accumulated depreciation	(14,419,694)	(12,879,736)
	$ 29,532,671	$ 30,858,963

Depreciation expense for the years ended December 31, 2013 and 2012 was $1,540,976 and $1,492,338, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases property from Bakersfield Memorial Hospital for its Bakersfield House rent-free. The lease was for a five-year term which ended in December 2013, with options to renew thereafter annually. The lease was renewed in 2014. The fair market value of the rent was $17,301 and $16,181 for the years ended December 31, 2013 and 2012, respectively, and is included in in-kind contributions.

The Organization exercised its option to renew the lease from Loma Linda University. The option extends the lease for a five-year term which expires in May 2015, with an option to renew for an additional five year term. The annual lease payment is $1 per year. The fair market value of the rent

NOTE 8 – COMMITMENTS AND CONTINGENCIES - Continued

was $23,589 and $24,290 for the years ended December 31, 2013 and 2012, respectively, and isincluded in in-kind contributions. The in-kind rent receivable was $33,418 and $57,007 at December 31, 2013 and 2012, respectively, and is recorded in in-kind and other receivables.

The Organization leases property from Memorial Health Services for its Long Beach House. The lease is for a 35-year term, which expires in May 2045, with options to renew for three additional five year terms. The annual lease payment is $1 per year. The annual fair market value of the rent was $40,658 and $57,535 for years ended December 31, 2013 and 2012, respectively, and was included as in-kind contributions. The in-kind rent receivable was $1,277,349 and $1,318,007 at December 31, 2013 and 2012, respectively, and is recorded in in-kind and other receivables.

In June 2012, Tom Bell Chevrolet loaned a 2012 Chevrolet Equinox, and a 2012 Chevrolet Silverado for a period of five years to the Organization at no charge to be used for RMHCSC business purposes. The fair market value of the rent was $9,574 and $5,033 for the years ended December 31, 2013 and 2012, respectively, and is included in in-kind contributions. The in-kind lease receivable was $33,263 and $42,837 at December 31, 2013 and 2012, respectively, and is recorded in in-kind and other receivables.

The Organization is obligated under non-cancellable operating leases for office space for a Camp office and Pasadena facilities and for various equipment and vehicle leases. The leases expire between 2014 and 2018. Future minimum obligations are due as follows:

	Rent	Other Operating Leases	Total
Due in 2014	$ 39,986	$ 25,165	$ 65,151
Due in 2015	-	23,116	23,116
Due in 2016	-	5,846	5,846
Due in 2017	-	2,468	2,468
Due in 2018	-	760	760
	$ 39,986	$ 57,355	$ 97,341

NOTE 9 – PROVISION FOR INCOME TAXES

The income tax provisions for the ESBT for the year ended December 31, 2013 were $45,000 and $23,000 for federal and state, respectively. For the year ended December 31, 2012, income tax provisions were $13,500 and $7,000 for federal and state, respectively.

NOTE 10 – RETIREMENT PLAN

The Organization has adopted a qualified salary deferral 401(k) plan that covers substantially all employees who have met certain service requirements. The Organization may elect to match the employee contributions to the plan. The voluntary employee contributions are limited to a percentage of compensation of qualified participants. The Organization elected to make matching contributions of $83,092 and $91,623 in 2013 and 2012, respectively.

NOTE 11 – NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2013 and 2012 temporarily restricted net assets are available for the following purposes:

	2013	2012
Bakersfield operations	$ 596,573	$ 494,451
Camp operations	41,782	14,860
Camp capital	579,700	-
Orange County operations	1,137,480	802,076
Loma Linda operations	1,924,218	2,096,385
Loma Linda capital	33,556	1,016
Pasadena operations	689,153	510,549
Pasadena emergency fund	27,221	27,221
Long Beach operations	1,302,381	1,343,040
Central Office - Couples Against Leukemia	437,917	359,721
Central Office - Capital	316,837	141,837
Grants Board - Operations	1,340,747	799,242
Grants Board - HACER	600,711	559,588
Grants Board - ASIA	65,750	45,550
Grants Board – Future Acheivers	17,297	-
Grants Board capital	119,798	461,008
Total temporarily restricted net assets	$ 9,231,121	$ 7,656,544

NOTE 11 – NET ASSETS - Continued

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2013 and 2012 are held in perpetuity for the various locations:

	2013	2012
Los Angeles House	$ 1,324,259	$ 1,324,259
Camp Ronald McDonald for Good Times	435,066	432,466
Orange County House	1,996,698	1,726,698
Loma Linda House	12,400	12,400
Total permanently restricted net assets	$ 3,768,423	$ 3,495,823

RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 12 – ENDOWMENTS

RMHCSC has classified as permanently restricted, the fair value of donations restricted by donors to be held as endowments in perpetuity. As a result, permanently restricted net assets include the fair value of the original and subsequent gifts made to the endowment fund. As disclosed in Note 2, RMHCSC's accounting policy is to consider restrictions that are satisfied in the same period that the restricted revenue is received to be unrestricted. For this reason, accumulated earnings, as well as, gains and losses related to endowment assets have been reported as unrestricted because the donors have specified that those revenues are available for use in operations. In accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and with generally accepted accounting principles, RMHCSC considers that this policy, together with its annual budget approval process, constitutes its decision to appropriate those funds for expenditure.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulation.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor-restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to

NOTE 12 – ENDOWMENTS - Continued

specific investments that the donor requires the Organization to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by the Organization's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses in unrestricted net assets. As values recover, the increases are reported as unrestricted gains. As of December 31, 2013, there were no such declines in value below the amount of the original endowments.

RMHCSC has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index plus 5.0% and to meet or exceed a benchmark consisting of 70% of the S&P 500 and 30% of the BC Aggregate Index on a risk adjusted basis over the defined time horizon. Actual results during any period may vary from these expectations. RMHCSC relies on a total return strategy which allows the earning objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments. RMHCSC's spending policy is to appropriate investment income (dividends and interest) and investment gains for current operations at each location. The spending policy was established considering the long-term expected return on assets and the long-term growth of the asset.

NOTE 12 – ENDOWMENTS - Continued

Changes in endowment assets for the year ended December 31, 2013 are as follows:

	December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at December 31, 2012	$ -	$ -	$ 3,495,823	$ 3,495,823
Contributions	-	-	272,600	272,600
Investment income	-	117,191	-	117,191
Investment broker fees	-	(29,109)	-	(29,109)
Net realized and unrealized gains	-	399,586	-	399,586
Appropriation of endowment income for expenditure	-	(487,668)	-	(487,668)
Balance at December 31, 2013	$ -	$ -	$ 3,768,423	$ 3,768,423

	December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at December 31, 2011	$ -	$ -	$ 3,483,723	$ 3,483,723
Contributions	-	-	12,100	12,100
Investment income	-	134,639	-	134,639
Investment broker fees	-	(23,299)	-	(23,299)
Net realized and unrealized gains	-	306,589	-	306,589
Appropriation of endowment income for expenditure	-	(417,929)	-	(417,929)
Balance at December 31, 2012	$ -	$ -	$ 3,495,823	$ 3,495,823

All endowments at December 31, 2013 and 2012 are donor restricted endowment funds.

NOTE 13 – NOTES PAYABLE

Morgan Stanley Smith Barney

The notes payable consists of a line of credit due to Morgan Stanley Smith Barney, secured by investment accounts held at Morgan Stanley Smith Barney. The terms of the line of credit include monthly interest only payments based on a variable rate, which ranged from 2.66% to 2.82% in 2013, and was 2.68% as of December 31, 2013. The balance of the line of credit was $2,765,519 at December 31, 2013, and is callable at any time. Variable rate at December 31, 2012 was 2.74% and balance of the line of credit was $2,689,187.

Farmers & Merchant Bank of Long Beach

The notes payable also consist of a line of credit due to Farmers and Merchant Bank of Long Beach, secured by contributions receivable for the Long Beach capital campaign. The terms of the line of credit include monthly principal and interest payments based on a variable rate, which ranged from 2.00% to 2.14%, and was 2.14% as of December 31, 2013 and 2.00% as of December 31, 2012. The balance of the line of credit was $1,377,088 and $2,018,521 at December 31, 2013 and 2012, respectively, and is due and payable by January 15, 2016. Principal payment for this line of credit are due as follows:

	Principal
Due in 2014	$ 653,717
Due in 2015	667,845
Due in 2016	55,525
	$ 1,377,088

NOTE 14 – IN-KIND CONTRIBUTIONS AND EXPENSES

In-kind goods and services that satisfied the revenue recognition requirements were recorded as follows:

	2013	2012
Expenses for operations		
Advertising and promotion	$ 6,383	$ 2,400
Automobile costs	8,509	5,259
Cleaning, gardening, housekeeping	21,276	21,915
Decorations	-	527
Equipment	11,919	59,553
Postage	6,492	-
Gifts and awards	-	38,589
Professional fees	113,328	112,746
Repairs and maintenance	-	13,453
Supplies	66,437	66,164
	234,344	320,606
Capital improvements		
Building improvements	-	44,323
Furniture and equipment	1,049	15,849
	1,049	60,172
Lease receivable	-	47,870
Total in-kind contributions	$ 235,396	$ 428,648

NOTE 15 – RELATED PARTIES

RMHCSC is a local chapter of Ronald McDonald House Charities, Inc. (“RMHC, Inc.”), an organization that supports a global network of Ronald McDonald Houses and other programs directed at children around the world. RMHCSC has a license agreement with the McDonald’s Corporation for the use of its name and trademarks. This license agreement also includes programmatic guidelines that should be followed. As part of the license agreement, twenty-five percent of the revenues from all national fundraising efforts that take place in McDonald's restaurants, such as the donation boxes that are located on the counter tops and at the drive thru windows, are sent to RMHC, Inc. and are reflected in the consolidated financial statements as a payment to Ronald McDonald House Charities Global. During 2013 and 2012, the contribution from McDonald’s Corporation is $753,234 and $757,721, respectively.

NOTE 16 – SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2013 financial statements for subsequent events through September 10, 2014, the date the financial statements were available to be issued.

Morgan Stanley Smith Barney

In April 2014, the Organization restructured its credit facilities with Morgan Stanley Smith Barney (MSSB). The Organization opened a Portfolio Loan Account (PLA) to replace the Line of Credit in place at MSSB. The PLA is secured by investment accounts held at MSSB. The terms of the PLA include monthly interest only payments based on a variable rate, which is determined by the corresponding PLA index plus 2.50%. The Organization withdrew $2,795,000 from the PLA to completely payoff the existing line of credit.

SUPPLEMENTARY SCHEDULES

Ronald McDonald House Charities of Southern California

COMBINING SCHEDULE OF FINANCIAL POSITION BY LOCATION

As of December 31, 2013

	Los Angeles House	Bakersfield House	Camp Ronald McDonald	Orange County House	Loma Linda House	Pasadena House	Long Beach House	Central Office	Grants Board	Total
Assets										
Cash and cash equivalents	$ 241,356	$ 302,715	$ 234,088	$ 244,069	$ 581,023	$ 503,779	$ 1,080,314	$ 1,574,039	$ 1,407,331	$ 6,168,714
Investments	5,486,030	-	1,600,125	6,227,649	4,901,624	424,587	298,520	1,742,973	952,595	21,634,103
Contributions receivable (net)	2,875	13,556	57,806	-	-	-	663,067	-	119,799	857,103
In-kind and other receivables	17,682	13,810	38,376	18,350	66,980	1,440	1,312,980	101,400	409,895	1,980,913
Prepaid expenses and other assets	46,249	6,918	52,356	19,207	21,893	19,069	19,488	13,975	-	199,155
Land, buildings and equipment (net)	14,535,499	23,168	7,884,266	1,346,410	1,781,733	6,894	3,880,548	74,153	-	29,532,671
Total assets	$ 20,329,691	$ 360,167	$ 9,867,017	$ 7,855,685	$ 7,353,253	$ 955,769	$ 7,254,917	$ 3,506,540	$ 2,889,620	$ 60,372,659
Liabilities										
Accounts payable and accrued expenses	$ 175,451	$ 29,591	$ 87,646	$ 95,820	$ 89,108	$ 29,719	$ 64,548	$ 183,061	$ 281,039	1,035,983
Notes payables	2,765,520	-	-	-	-	-	1,377,087	-	-	4,142,607
Inter-entity payables (receivables)	232,127	(358,725)	(577,307)	(137,591)	(96,521)	(33,337)	(84,417)	1,516,270	(460,499)	-
	3,173,098	(329,134)	(489,661)	(41,771)	(7,413)	(3,618)	1,357,218	1,699,331	(179,460)	5,178,590
Net assets										
Unrestricted	15,832,334	92,728	9,300,130	4,763,278	5,390,492	243,013	4,595,318	1,052,455	924,777	42,194,525
Temporarily restricted	-	596,573	621,482	1,137,480	1,957,774	716,374	1,302,381	754,754	2,144,303	9,231,121
Permanently restricted	1,324,259	-	435,066	1,996,698	12,400	-	-	-	-	3,768,423
	17,156,593	689,301	10,356,678	7,897,456	7,360,666	959,387	5,897,699	1,807,209	3,069,080	55,194,069
Total liabilities and net assets	$ 20,329,691	$ 360,167	$ 9,867,017	$ 7,855,685	$ 7,353,253	$ 955,769	$ 7,254,917	$ 3,506,540	$ 2,889,620	$ 60,372,659

Ronald McDonald House Charities of Southern California

COMBINING SCHEDULE OF ACTIVITIES BY LOCATION

For the Year Ended December 31, 2013

	Los Angeles House	Bakersfield House	Camp Ronald McDonald	Orange County House	Loma Linda House	Pasadena House	Long Beach House	Central Office	Grants Board	Total
Revenues and support										
Contributions	$ 475,184	$ 164,042	$ 648,353	$ 1,142,398	$ 455,188	$ 191,183	$ 380,090	$ 1,373,140	$ 1,033,730	$ 5,863,308
Capital campaign	-	-	479,700	-	32,540	-	-	-	-	512,240
In-kind contributions	16,649	-	118,869	25,828	44,377	4,842	16,448	8,383	-	235,396
Special event revenues	739,536	295,361	571,640	904,919	509,717	459,423	543,887	313,866	284,506	4,622,855
Special event expenses	(178,372)	(91,690)	(104,840)	(221,043)	(61,470)	(124,264)	(99,577)	(112,129)	(130,896)	(1,124,281)
	561,164	203,671	466,800	683,876	448,247	335,159	444,310	201,737	153,610	3,498,574
Realized investment gains, net	414,087	-	63,891	540,927	411,893	15,433	69	153,929	29,393	1,629,622
Unrealized investment gains	95,786	-	(50,079)	(67,995)	(130,836)	(16,411)	19	(5,885)	(38,093)	(213,494)
Program fees	134,543	5,054	-	25,235	107,997	12,680	28,708	-	-	314,217
Rental and other income	221,707	1,870	193,842	9,042	10,294	3,524	9,181	(1,588)	-	447,872
Inter-entity	249,831	21,181	359,523	109,468	122,675	34,550	63,883	(742,286)	(218,825)	-
Total revenues and support	2,168,951	395,818	2,280,899	2,468,779	1,502,375	580,960	942,708	987,430	959,815	12,287,735
Expenses										
Program expenses	1,773,907	229,263	1,600,773	690,888	922,088	303,790	808,375	664,079	528,717	7,521,880
Management and general	325,523	18,842	137,580	329,588	90,514	27,490	127,044	247,299	4,576	1,308,456
Fundraising	315,739	39,572	259,934	201,540	163,108	33,981	153,108	345,704	134	1,512,820
Total expenses	2,415,169	287,677	1,998,287	1,222,016	1,175,710	365,261	1,088,527	1,257,082	533,427	10,343,156
Change in net assets	(246,218)	108,141	282,612	1,246,763	326,665	215,699	(145,819)	(269,652)	426,388	1,944,579
Net assets - beginning	17,402,811	581,160	10,074,066	6,650,693	7,034,001	743,688	6,043,518	2,076,861	2,642,692	53,249,490
Net assets - ending	$ 17,156,593	$ 689,301	$ 10,356,678	$ 7,897,456	$ 7,360,666	$ 959,387	$ 5,897,699	$ 1,807,209	$ 3,069,080	$ 55,194,069