Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

RONALD MCDONALD HOUSE CHARITIES OF SOUTHERN CALIFORNIA

December 31, 2014 (With Comparative Summarized Financial Information for December 31, 2013)

CONTENTS

Grant Thornton

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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, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year 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, 2014, 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, 2014 and the Combining Schedule of Activities by Location for the year ended December 31, 2014 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 2013 summarized comparative information

We have previously audited the Organization's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 10, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
October 13, 2015

Ronald McDonald House Charities of Southern California

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2014

(With Comparative Summarized Financial Information as of December 31, 2013)

	2014	2013
Assets		
Cash and cash equivalents	$ 5,727,793	$ 6,168,714
Investments (Note 4)	23,655,819	21,634,103
Contributions receivable (net) (Note 5)	775,554	857,103
In-kind and other receivables	2,007,185	1,980,913
Prepaid expenses and other assets	247,175	199,155
Land, buildings, and equipment (net) (Note 7)	30,799,837	29,532,671
Total assets	$ 63,213,363	$ 60,372,659
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,268,214	$ 1,035,983
Notes payable (Note 13)	3,574,567	4,142,607
Total liabilities	4,842,781	5,178,590
Net assets		
Unrestricted	42,932,992	42,194,525
Temporarily restricted	11,522,567	9,231,121
Permanently restricted	3,915,023	3,768,423
Total net assets	58,370,582	55,194,069
Total liabilities and net assets	$ 63,213,363	$ 60,372,659

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, 2014

(With Comparative Summarized Financial Information for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Revenues and Support					
Contributions	$ 5,315,870	$ 625,618	$ 146,600	$ 6,088,088	$ 5,863,308
Capital campaigns	-	2,961,256	-	2,961,256	512,240
In-kind contributions	237,157	-	-	237,157	235,396
Special event revenues	4,743,620	227,055	-	4,970,675	4,622,855
Special event expenses	(1,110,805)	(153,977)	-	(1,264,782)	(1,124,281)
	3,632,815	73,078	-	3,705,893	3,498,574
Realized investment gains, net	622,739	187,551	-	810,290	1,629,622
Unrealized investment (losses) gains	(285,169)	(116,270)	-	(401,439)	(213,494)
Program fees	301,812	-	-	301,812	314,217
Rental and other income	371,628	-	-	371,628	447,872
Income before release from restrictions	10,196,852	3,731,233	146,600	14,074,685	12,287,735
Released from restrictions					
Operations	1,373,458	(1,373,458)	-	-	-
Endowments	66,329	(66,329)	-	-	-
Total revenues and support	11,636,639	2,291,446	146,600	14,074,685	12,287,735
Expenses					
Programs	7,981,856	-	-	7,981,856	7,521,880
Management and general	1,227,058	-	-	1,227,058	1,308,456
Fundraising	1,689,258	-	-	1,689,258	1,512,820
Total expenses	10,898,172	-	-	10,898,172	10,343,156
Change in net assets	738,467	2,291,446	146,600	3,176,513	1,944,579
Net assets - beginning	42,194,525	9,231,121	3,768,423	55,194,069	53,249,490
Net assets - ending	$ 42,932,992	$ 11,522,567	$ 3,915,023	$ 58,370,582	$ 55,194,069

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, 2014

(With Comparative Summarized Financial Information for the Year Ended December 31, 2013)

	Houses	Camp	Other Programs	Total Programs	Management and General	Fundraising	2014 Total	2013 Total
Salaries and related costs								
Salaries	$ 2,082,288	$ 434,490	$ -	$ 2,516,778	$ 624,222	$ 841,908	$ 3,982,908	$ 3,746,686
Employee benefits	281,777	65,058	-	346,835	42,783	82,898	472,516	477,220
Payroll taxes	208,333	37,881	-	246,214	31,219	66,757	344,190	329,184
Retirement plan	44,412	12,424	-	56,836	12,772	19,962	89,570	83,092
Total salaries and related costs	2,616,810	549,853	-	3,166,663	710,996	1,011,525	4,889,184	4,636,182
Expenses								
HACER scholarships and grants	-	-	650,083	650,083	-	-	650,083	580,168
Contributions to RMHC Global	-	-	205,482	205,482	-	-	205,482	162,187
Activities and fees	76,839	36,560	10,590	123,989	-	-	123,989	114,913
Guest hotel costs	184,854	-	-	184,854	-	-	184,854	144,986
Guest services	4,193	151,866	-	156,059	-	-	156,059	166,386
Insurance	154,116	65,359	-	219,475	16,915	28,740	265,130	279,044
Utilities	265,055	47,881	-	312,936	24,119	40,979	378,034	353,949
Repairs and maintenance	143,264	39,831	5	183,100	14,111	23,976	221,187	231,054
Rent	124,968	17,002	-	141,970	10,942	18,591	171,503	280,653
Supplies	69,779	4,636	5,760	80,175	5,735	9,745	95,655	101,045
Outside services	138,351	13,344	-	151,695	25	122,235	273,955	86,431
Food and catering	50,109	623	-	50,732	4,542	5,302	60,576	48,083
Cleaning, gardening and housekeeping	111,141	24,762	56	135,959	-	-	135,959	114,379
Automobile costs	46,521	14,526	1,225	62,272	4,277	3,709	70,258	63,235
Printing	42,931	6,484	444	49,859	186	15,571	65,616	71,062
Advertising and promotion	16,770	2,764	695	20,229	2,744	2,828	25,801	25,318
Canister costs	-	-	-	-	-	218,004	218,004	186,743
Professional fees	253,085	205,756	-	458,841	93,775	1,734	554,350	466,070
Equipment	84,563	11,355	145	96,063	41	1,934	98,038	121,624
Telephone	82,509	13,420	720	96,649	7,393	12,562	116,604	104,565
Postage	34,443	4,265	901	39,609	2,983	11,206	53,798	51,335
Employee development	14,269	10,607	10	24,886	21,249	468	46,603	86,439
Conferences and meetings	27,049	4,015	-	31,064	202	215	31,481	42,174
Temporary labor	70,027	-	-	70,027	62,498	17,747	150,272	13,855
Property taxes	13,732	250	-	13,982	-	-	13,982	13,261
Tax related charges and expenses	972	85	-	1,057	101	-	1,158	1,828
Bank charges	5,217	839	1,533	7,589	18,503	4,255	30,347	28,339
Interest expense	-	-	-	-	106,629	-	106,629	111,258
Other expenses	34,497	30,510	492	65,499	9,915	9,236	84,650	46,814
Expenses before depreciation and income taxes	4,666,064	1,256,593	878,141	6,800,798	1,117,881	1,560,562	9,479,241	8,733,380
Depreciation	909,050	272,008	-	1,181,058	70,177	128,696	1,379,931	1,540,976
Trust's income taxes	-	-	-	-	39,000	-	39,000	68,800
Total expenditures	$ 5,575,114	$ 1,528,601	$ 878,141	$ 7,981,856	$ 1,227,058	$ 1,689,258	$ 10,898,172	$ 10,343,156

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, 2014

(With Comparative Summarized Financial Information for the Year Ended December 31, 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 3,176,513	$ 1,944,579
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	1,379,931	1,540,976
Contributions restricted for long-term and capital projects	(3,107,856)	(884,840)
Net realized and unrealized investment gains	(325,851)	(1,357,128)
Unrealized gain on interest of land trust	(83,000)	(59,000)
Loss on sale of assets	3,226	1,619
In-kind contributions of property and equipment	(7,114)	(1,049)
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	(26,272)	380,341
In-kind and other receivables	(5,317)	221,712
Prepaid expenses and other assets	(48,020)	3,264
Accounts payable and accrued expenses	48,827	(171,892)
Net cash provided by operating activities	1,005,067	1,618,582
Cash flows from investing activities		
Purchases of investments	(9,302,131)	(18,473,087)
Proceeds from sales and maturities of investments	7,689,266	16,784,939
Purchases of property and equipment	(2,459,805)	(171,891)
Proceeds from sale of property and equipment	-	2,639
Net cash used in investing activities	(4,072,670)	(1,857,400)
Cash flows from financing activities		
Contributions collected for long-term and capital purposes	3,194,722	1,513,140
Payments on long-term borrowings	(568,040)	(565,101)
Net cash provided by financing activities	2,626,682	948,039
Net change in cash and cash equivalents	(440,921)	709,221
Cash and cash equivalents - beginning of year	6,168,714	5,459,493
Cash and cash equivalents - end of year	$ 5,727,793	$ 6,168,714
Supplemental cash flow information:		
Interest payments	$ 106,629	$ 111,258
Income taxes paid	$ 39,000	$ 37,000
In-kind contributions of goods and services	$ 237,157	$ 235,396
Investing and financing activities not affecting cash		
Purchase of property and equipment by assuming short term liabilities	$ 232,231	$ 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 financial statements.

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, 2013 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 $5,515,680 and $5,399,956 as of December 31, 2014 and 2013, 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 consolidated 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, 2014 and 2013, 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, 2014 and 2013, 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 2014 and 2013, advertising costs were approximately $25,800, and $25,300, 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 23701(d) 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 2014 for federal tax purposes and 2009 through 2014 for California tax purposes. As of December 31, 2014, 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, 2014.

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, 2014 and 2013, 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, 2014, 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 June 15, 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, 2014, and did not have a material impact on its consolidated financial statements.

In December 2013, the FASB issued ASU 2013-12, *Definition of a Public Business Entity*. The standard aimed at clarifying a single definition of what constitutes a nonpublic entity and a public entity within U.S. generally accepted accounting principles on a going-forward basis. Under the new guidance, the Organization would be excluded from the definition of a public business entity.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Under the ASU, debt issuance costs are required to be presented as a direct deduction of debt balances on the statement of financial position, similar to the presentation of debt discounts. This new guidance is effective for nonpublic entities for fiscal years beginning after December 15, 2015.

NOTE 3 – SIGNIFICANT ACCOUNTING PRONOUNCEMENTS - Continued

In May 2015, the FASB issued ASU 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The guidance specifically clarifies how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. The ASU was issued in order to address diversity in practice. The amended standard's key provision exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures. The new guidance is effective for the Organization for the year ending December 31, 2017, with early adoption permitted.

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.

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.

NOTE 4 – INVESTMENTS - Continued

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.

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

	December 31, 2014				December 31, 2013
Asset Class	Level 1	Level 2	Level 3	Total	Total
Mutual funds / exchange traded funds:					
Equity - large cap domestic (a)	$ 208,183	$ 1,579	$ -	$ 209,762	$ 942,546
Equity - international (b)	2,049,106	2,946	-	2,052,052	1,989,729
Equity - emerging markets (c)	316,403	4,182	-	320,584	306,399
Equity - global (d)	2,305,484	3,697	-	2,309,181	1,944,486
Fixed income - domestic (e)	5,551,187	3,089	-	5,554,276	6,341,643
Fixed income - global (f)	2,229,958	1,152	-	2,231,110	2,036,279
Absolute return (g)	4,452,631	39,757	-	4,492,388	3,857,579
Cash and cash equivalents	113,160	-	-	113,160	113,031
Separately managed accounts:					
Equity - large cap domestic (h)	2,602,427	82,358	-	2,684,785	1,171,088
Equity - small-mid cap domestic (i)	195,838	9,724	-	205,562	204,182
Managed futures (j)	-	-	-	-	461,576
Money market funds:	-	1,877,959	-	1,877,959	743,565
	20,024,377	2,026,442	-	22,050,819	20,112,103
Interest in land trust	-	-	1,068,000	1,068,000	964,000
Interest in limited liability company	-	-	537,000	537,000	558,000
	-	-	1,605,000	1,605,000	1,522,000
	$20,024,377	$2,026,442	$1,605,000	$23,655,819	$21,634,103

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 2014 and 2013.

(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.

NOTE 4 – INVESTMENTS - Continued

(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.
(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, 2014 and 2013. 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 $1,068,000 and $964,000 at December 31, 2014 and 2013, 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, 2014, the capitalization rate is 6.58% and sinking fund rate is 15.8%, resulting in an Overall Rate (OAR) of 22.38%. Using these comparables and rates, the fair market value of the interest in the land trust was estimated to be $537,000 at December 31, 2014. At December 31, 2013, the capitalization rate was 7.49% and sinking fund rate was 13.1%, resulting in an 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.

The 2014 and 2013 activity in the land trust was as follows:

	2014	2013
Balance at the beginning of the year	$ 964,000	$ 1,090,000
Adjustment to fair value	104,000	(126,000)
Balance at the end of the year	$ 1,068,000	$ 964,000

The 2014 and 2013 activity in the limited liability company was as follows:

	2014	2013
Balance at the beginning of the year	$ 558,000	$ 373,000
Adjustment to fair value	(21,000)	185,000
Balance at the end of the year	$ 537,000	$ 558,000

NOTE 4 – INVESTMENTS - Continued

Investment income (losses) and expenses consisted of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividend income	$ 481,820	$ 396,831
Gain on sales of investments	450,067	1,331,947
Investment broker fees	(121,597)	(99,156)
Unrealized (losses) on investments	(484,840)	(272,494)
Unrealized gains on land trust and limited liability company	83,401	59,000
Total realized and unrealized investment gains, net	$ 408,851	$ 1,416,128

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, 2014 and 2013:

	December 31, 2014		
	Fair value	Redemption frequency	Redemption notice period
Mutual funds / exchange traded funds:			
Absolute return	$ 1,584,958	Daily	Daily
Money market funds	$ 1,877,959	Daily	Daily

	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

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

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2014 and 2013 consist of the following amounts:

	2014	2013
Capital campaign contributions due to Los Angeles House	$ -	$ 8,500
Contributions due to Bakersfield House	8,000	14,000
Capital campaign contributions due to Camp	516,500	96,910
Capital campaign contributions due to Long Beach House	185,199	693,340
Capital campaign contributions due to Loma Linda House	107,562	-
Capital campaign contributions due to Community Grants Board	-	125,000
Contributions receivable before adjustment to fair value	817,261	937,750
Less: adjustments to record contributions receivable at fair value		
Discount to present value	(15,467)	(15,223)
Allowance for uncollectible pledges	(26,240)	(65,424)
Total contributions receivable, net	$ 775,554	$ 857,103

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

Due in one year or less	$ 354,150
Due in more than one year	463,111
	$ 817,261

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, 2014 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, 2014 of approximately $185,000 is scheduled to be received between 2015 and 2022.

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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, 2014, the campaign has raised approximately $7 million. The balance of pledges receivable at December 31, 2014 of approximately $500,000 is scheduled to be received in 2014.

Loma Linda House began a capital campaign in 2013 to raise funds for the renovation of existing facilities. As of December 31, 2014, the campaign has raised approximately $500,000. The balance of pledges receivable at December 31, 2014 of approximately $108,000 is scheduled to be received in between 2015 and 2023.

NOTE 7 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment was comprised of the following at December 31, 2014 and 2013:

	2014	2013
Construction projects in progress	$ 3,130,716	$ 797,952
Land	5,205,554	5,205,554
Buildings and improvements	33,718,553	33,495,168
Furniture and fixtures	4,310,516	4,262,628
Transportation equipment	191,063	191,063
Less: accumulated depreciation	(15,756,565)	(14,419,694)
	$ 30,799,837	$ 29,532,671

Depreciation expense for the years ended December 31, 2014 and 2013 was $1,379,932 and $1,540,976, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases property from Bakersfield Memorial Hospital for its Bakersfield House rent-free. The original 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 $8,716 and $17,301 for the years ended December 31, 2014 and 2013, 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 for the years ended December 31, 2014 and 2013, and is included in in-kind contributions. The in-kind rent receivable was $9,829 and $33,418 at December 31, 2014 and 2013, 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 for years ended December 31, 2014 and 2013, and was included as in-kind contributions. The in-kind rent receivable was $1,236,691 and $1,277,349 at December 31, 2014 and 2013, 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 $9,574 for the years ended December 31, 2014 and 2013, respectively, and is included in in-kind contributions. The in-kind lease receivable was $23,689 and $33,263 at December 31, 2014 and 2013, respectively, and is recorded in in-kind and other receivables.

The Organization is obligated under non-cancellable operating leases for various equipment and vehicle leases. The leases expire between 2015 and 2019. Future minimum obligations are due as follows:

	Operating Leases
Due in 2015	$ 21,560
Due in 2016	14,956
Due in 2017	12,617
Due in 2018	10,937
Due in 2019	5,697
	$ 65,767

NOTE 9 – PROVISION FOR INCOME TAXES

The income tax provisions for the ESBT for the year ended December 31, 2014 were $33,500 and $5,500 for federal and state, respectively. For the year ended December 31, 2013, income tax provisions were $45,000 and $23,000 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 $89,570 and $83,092 in 2014 and 2013, respectively.

NOTE 11 – NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014 and 2013 temporarily restricted net assets are available for the following purposes:

	2014	2013
Bakersfield operations	$ 741,799	$ 596,573
Camp operations	31,368	41,782
Camp capital	3,064,741	579,700
Orange County operations	988,790	1,137,480
Loma Linda operations	1,330,689	1,924,218
Loma Linda capital	509,771	33,556
Pasadena operations	815,471	689,153
Pasadena emergency fund	27,221	27,221
Long Beach operations	1,280,186	1,302,381
Central Office – Couples Against Leukemia	499,865	437,917
Central Office – Capital	91,280	316,837
Grants Board – Operations	1,416,299	1,340,747
Grants Board – HACER	630,926	600,711
Grants Board – ASIA	85,050	65,750
Grants Board – Future Achievers	9,111	17,297
Grants Board capital	-	119,798
Total temporarily restricted net assets	$ 11,522,567	$ 9,231,121

NOTE 11 – NET ASSETS - Continued

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2014 and 2013 are held in perpetuity for the various locations:

	2014	2013
Los Angeles House	$ 1,324,259	$ 1,324,259
Camp Ronald McDonald for Good Times	436,666	435,066
Orange County House	2,141,698	1,996,698
Loma Linda House	12,400	12,400
Total permanently restricted net assets	$ 3,915,023	$ 3,768,423

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, 2014, 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, 2014 are as follows:

	December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at December 31, 2013	$ -	$ -	$ 3,768,423	$ 3,768,423
Contributions	-	-	146,600	146,600
Investment income	-	88,648	-	88,648
Investment broker fees	-	(23,074)	-	(23,074)
Net realized and unrealized gains	-	755	-	755
Appropriation of endowment income for expenditure	-	(66,329)	-	(66,329)
Balance at December 31, 2014	$ -	$ -	$ 3,915,023	$ 3,915,023

	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

All endowments at December 31, 2014 and 2013 are donor restricted endowment funds.

NOTE 13 – NOTES PAYABLE

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.

The variable rate ranged from 2.65% to 2.67% in 2014, and was 2.67% as of December 31, 2014. The balance of the PLA was $2,849,464 at December 31, 2014.

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 2.18% to 2.42%, and was 2.42% as of December 31, 2014 and 2.18% as of December 31, 2013. The balance of the line of credit was $725,103 and $1,377,088 at December 31, 2014 and 2013, respectively, and is due and payable by January 15, 2016. Principal payment for this line of credit are due as follows:

	Principal
Due in 2015	$ 666,614
Due in 2016	58,489
	$ 725,103

NOTE 14 – IN-KIND CONTRIBUTIONS AND EXPENSES

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

	2014	2013
Expenses for operations		
Advertising and promotion	$ 6,883	$ 6,383
Automobile costs	8,509	8,509
Cleaning, gardening, housekeeping	20,773	21,276
Equipment	-	11,919
Postage	2,802	6,492
Rent	8,716	-
Professional fees	125,188	113,328
Supplies	57,172	66,437
	230,043	234,344
Capital improvements		
Building improvements	7,114	-
Furniture and equipment	-	1,049
	7,114	1,049
Total in-kind contributions	$ 237,157	$ 235,396

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 2014 and 2013, the contribution from McDonald’s Corporation was $717,859 and $753,234, respectively.

NOTE 16 – SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2014 financial statements for subsequent events through October 13, 2015, the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

Ronald McDonald House Charities of Southern California

COMBINING SCHEDULE OF FINANCIAL POSITION BY LOCATION

As of December 31, 2014

	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	$ 185,835	$ 795,470	$ -	$ 460,404	$ 397,244	$ 293,663	$ 1,216,644	$ 743,974	$ 1,634,559	$ 5,727,793
Investments	5,513,438	-	2,782,132	6,473,161	4,990,325	824,906	308,920	1,799,779	963,158	23,655,819
Contributions receivable (net)	-	2,000	493,848	-	100,943	-	178,763	-	-	775,554
In-kind and other receivables	1,680	47,453	29,627	10,925	33,806	1,075	1,248,269	202,240	432,110	2,007,185
Prepaid expenses and other assets	41,646	8,568	53,072	21,853	16,525	22,322	15,118	68,071	-	247,175
Land, buildings and equipment (net)	13,981,073	21,611	9,728,289	1,297,785	2,007,649	10,291	3,731,839	21,300	-	30,799,837
Total assets	$ 19,723,672	$ 875,102	$ 13,086,968	$ 8,264,128	$ 7,546,492	$ 1,152,257	$ 6,699,553	$ 2,835,364	$ 3,029,827	$ 63,213,363
Liabilities										
Accounts payable and accrued expenses	$ 141,458	$ 26,034	$ 332,036	$ 75,945	$ 82,254	$ 39,966	$ 56,295	$ 222,366	$ 291,860	$ 1,268,214
Notes payables	2,849,464	-	-	-	-	-	725,103	-	-	3,574,567
Inter-entity payables (receivables)	-	621	68,101	(1,000)	(325,000)	-	(2,500)	(65,222)	325,000	-
	2,990,922	26,655	400,137	74,945	(242,746)	39,966	778,898	157,144	616,860	4,842,781
Net assets										
Unrestricted	15,408,491	106,648	9,154,055	5,058,695	5,936,379	269,599	4,640,469	2,061,356	297,300	42,932,992
Temporarily restricted	-	741,799	3,096,110	988,790	1,840,459	842,692	1,280,186	616,864	2,115,667	11,522,567
Permanently restricted	1,324,259	-	436,666	2,141,698	12,400	-	-	-	-	3,915,023
	16,732,750	848,447	12,686,831	8,189,183	7,789,238	1,112,291	5,920,655	2,678,220	2,412,967	58,370,582
Total liabilities and net assets	$ 19,723,672	$ 875,102	$ 13,086,968	$ 8,264,128	$ 7,546,492	$ 1,152,257	$ 6,699,553	$ 2,835,364	$ 3,029,827	$ 63,213,363

Ronald McDonald House Charities of Southern California

COMBINING SCHEDULE OF ACTIVITIES BY LOCATION

For the Year Ended December 31, 2014

	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	$ 477,400	$ 190,664	$ 932,964	$ 609,642	$ 305,385	$ 218,925	$ 401,767	$ 1,839,954	$ 1,111,387	$ 6,088,088
Capital campaign	-	-	2,485,041	-	476,215	-	-	-	-	2,961,256
In-kind contributions	16,030	8,715	103,882	28,911	27,166	4,463	16,999	30,991	-	237,157
Special event revenues	878,903	353,551	586,935	891,056	416,288	431,356	813,184	377,097	222,305	4,970,675
Special event expenses	(197,177)	(99,491)	(103,125)	(233,547)	(59,367)	(107,705)	(192,536)	(126,802)	(145,032)	(1,264,782)
	681,726	254,060	483,810	657,509	356,921	323,651	620,648	250,295	77,273	3,705,893
Realized investment gains, net	159,950	-	81,940	240,667	195,465	33,781	656	68,955	28,876	810,290
Unrealized investment gains	(2,932)	-	(58,600)	(140,154)	(106,764)	(34,521)	(1,005)	(39,150)	(18,313)	(401,439)
Program fees	134,016	4,000	-	29,004	102,299	9,857	22,636	-	-	301,812
Rental and other income	161,388	399	151,688	10,760	10,954	3,295	33,086	58	-	371,628
Inter-entity	308,937	13,520	80,771	89,146	397,282	24,030	53,073	(340,759)	(626,000)	-
Total revenues and support	1,936,515	471,358	4,261,496	1,525,485	1,764,923	583,481	1,147,860	1,810,344	573,223	14,074,685
Expenses										
Program expenses	1,736,082	252,900	1,528,604	726,303	1,055,715	361,846	841,425	919,709	559,272	7,981,856
Management and general	293,287	17,325	138,583	320,340	117,010	32,722	129,156	172,507	6,128	1,227,058
Fundraising	330,989	41,987	264,156	187,115	163,626	36,009	154,323	510,875	178	1,689,258
Total expenses	2,360,358	312,212	1,931,343	1,233,758	1,336,351	430,577	1,124,904	1,603,091	565,578	10,898,172
Change in net assets	(423,843)	159,146	2,330,153	291,727	428,572	152,904	22,956	207,253	7,645	3,176,513
Net assets - beginning	17,156,593	689,301	10,356,678	7,897,456	7,360,666	959,387	5,897,699	2,470,967	2,405,322	55,194,069
Net assets - ending	$ 16,732,750	$ 848,447	$ 12,686,831	$ 8,189,183	$ 7,789,238	$ 1,112,291	$ 5,920,655	$ 2,678,220	$ 2,412,967	$ 58,370,582