

**RONALD MCDONALD HOUSE CHARITIES
OF ROCHESTER NY, INC.**

FINANCIAL STATEMENTS

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of Rochester NY, Inc.
Rochester, New York

We have audited the accompanying balance sheets of Ronald McDonald House Charities of Rochester NY, Inc. (a nonprofit corporation) as of December 31, 2010 and 2009, the related statements of cash flows for the years then ended and the statements of activities and functional expenses for the year ended December 31, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements where, in our report dated April 6, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Rochester NY, Inc. as of December 31, 2010 and 2009, its cash flows for the years then ended, and the results of its operations and changes in net assets for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Heveron & Heveron

Heveron & Heveron
Certified Public Accountants

Rochester, New York
April 20, 2011



RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
BALANCE SHEETS
December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 422,514	\$ 789,711
Accounts Receivable	5,998	4,910
Pledges and Contributions Receivable	123,516	132,745
Prepaid Expenses and Other Assets	<u>29,306</u>	<u>24,074</u>
 Total Current Assets	 <u>581,334</u>	 <u>951,440</u>
<u>Land, Building and Equipment</u>		
Building and Improvements	3,746,289	3,717,088
Furniture and Equipment	430,528	357,295
Vehicles	13,423	13,423
Land	<u>7,297</u>	<u>7,297</u>
	4,197,537	4,095,103
Less: Accumulated Depreciation	<u>(2,474,753)</u>	<u>(2,300,332)</u>
 Net Land, Building and Equipment	 <u>1,722,784</u>	 <u>1,794,771</u>
<u>Other Assets</u>		
Long-Term Investments	7,292,808	6,223,242
Long-Term Pledges Receivable	10,000	-
Long-Term Prepaid Expenses	<u>26,558</u>	<u>29,998</u>
 Total Other Assets	 <u>7,329,366</u>	 <u>6,253,240</u>
 TOTAL ASSETS	 <u>\$ 9,633,484</u>	 <u>\$ 8,999,451</u>

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
<u>Current Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 69,668	\$ 52,570
Refundable Advance	20,171	10,500
Contributions Payable	<u>-</u>	<u>23,585</u>
 Total Current Liabilities	 <u>89,839</u>	 <u>86,655</u>
 <u>Long-Term Liabilities</u>		
Due to RMHC (Global Office)	<u>38,759</u>	<u>-</u>
 Total Liabilities	 <u>128,598</u>	 <u>86,655</u>
 <u>Net Assets</u>		
Unrestricted	7,697,705	7,712,404
Temporarily Restricted	854,496	248,707
Permanently Restricted	<u>952,685</u>	<u>951,685</u>
 Total Net Assets	 <u>9,504,886</u>	 <u>8,912,796</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 9,633,484</u>	 <u>\$ 8,999,451</u>

See Independent Auditors' Report and Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2010

(With Comparative Totals For The Year Ended December 31, 2009)

	<u>Unrestricted-</u> <u>Operating</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Totals</u>	
				2010	2009
<u>Support and Revenue</u>					
Support:					
Public Support From					
Special Events	\$ 498,414	\$ -	\$ -	\$ 498,414	\$ 495,287
Less: Direct Expenses	(44,724)	-	-	(44,724)	(28,016)
In-Kind Donations	580,113	-	-	580,113	372,818
Other Contributions	560,429	85,948	1,000	647,377	655,354
Investment Income					
Available for Operations	153,714	64,924	-	218,638	-
Transfer Due to Satisfaction					
of Restriction	<u>162,048</u>	<u>(162,048)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support	<u>1,909,994</u>	<u>(11,176)</u>	<u>1,000</u>	<u>1,899,818</u>	<u>1,495,443</u>
Revenue:					
Sales - Net	1,565	-	-	1,565	1,561
Room Occupancy	46,370	-	-	46,370	48,123
Interest/Dividend Income	12,633	-	-	12,633	16,118
Rental Income	7,143	-	-	7,143	7,182
Other Income	<u>3,506</u>	<u>-</u>	<u>-</u>	<u>3,506</u>	<u>3,403</u>
Total Revenue	<u>71,217</u>	<u>-</u>	<u>-</u>	<u>71,217</u>	<u>76,387</u>
Total Support and Revenue					
From Operations	<u>1,981,211</u>	<u>(11,176)</u>	<u>1,000</u>	<u>1,971,035</u>	<u>1,571,830</u>
<u>Operating Expenses</u>					
Program Services	<u>1,058,331</u>	<u>-</u>	<u>-</u>	<u>1,058,331</u>	<u>1,019,972</u>
Supporting Services:					
General and Administrative	196,260	-	-	196,260	209,679
Fundraising	<u>626,513</u>	<u>-</u>	<u>-</u>	<u>626,513</u>	<u>415,842</u>
Total Supporting Services	822,773	-	-	822,773	625,521

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2010

(With Comparative Totals For The Year Ended December 31, 2009)

(Continued)

	Unrestricted-	Temporarily	Permanently	Totals	
	<u>Operating</u>	<u>Restricted</u>	<u>Restricted</u>	<u>2010</u>	<u>2009</u>
Payments to					
RMHC (Global Office)	<u>28,506</u>	<u>-</u>	<u>-</u>	<u>28,506</u>	<u>20,902</u>
Total Operating Expenses	<u>1,909,610</u>	<u>-</u>	<u>-</u>	<u>1,909,610</u>	<u>1,666,395</u>
Excess/(Deficit) of Support and Revenue Over Expenses					
From Operations	71,601	(11,176)	1,000	61,425	(94,565)
<u>Other Income, Expenses, Gains</u> <u>and (Losses)</u>					
Interest/Dividend Income	167,245	13,362	-	180,607	155,420
Investment Expenses	(43,421)	-	-	(43,421)	(42,284)
Net Gain on Investments	474,539	137,578	-	612,117	1,052,822
Investment Income Made					
Available for Operations	<u>(153,714)</u>	<u>(64,924)</u>	<u>-</u>	<u>(218,638)</u>	<u>-</u>
Total Other Income, Expenses, Gains and (Losses)	<u>444,649</u>	<u>86,016</u>	<u>-</u>	<u>530,665</u>	<u>1,165,958</u>
Excess/(Deficit) of Support and Revenue Over Expenses	516,250	74,840	1,000	592,090	1,071,393
Reclassification of Net Assets	<u>(530,949)</u>	<u>530,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(14,699)	605,789	1,000	592,090	1,071,393
Net Assets - Beginning of Year	<u>7,712,404</u>	<u>248,707</u>	<u>951,685</u>	<u>8,912,796</u>	<u>7,841,403</u>
Net Assets - End of Year	<u>\$7,697,705</u>	<u>\$ 854,496</u>	<u>\$ 952,685</u>	<u>\$9,504,886</u>	<u>\$ 8,912,796</u>

See Independent Auditors' Report and Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2010

(With Comparative Totals For The Year Ended December 31, 2009)

	Program Services		Supporting Services		Total Expenses	
	Operations	Grant-Making	Total	General and Administrative	Fundraising	
Salaries and Wages	\$ 333,731	\$ 7,211	\$ 340,942	\$ 125,867	\$ 111,414	\$ 578,223
Employee Benefits	58,301	-	58,301	16,757	9,530	84,588
Payroll Taxes	24,743	632	25,375	9,137	8,014	42,526
Total Personnel Costs	416,775	7,843	424,618	151,761	128,958	705,337
In-kind Rent	6,000	-	6,000	-	255,778	261,778
Depreciation	170,717	-	170,717	3,703	-	174,420
House and Family Supplies	136,119	-	136,119	-	3,475	139,594
Grants and Allocations	-	89,326	89,326	-	-	89,326
Indirect Fundraising Expense	-	-	-	-	79,714	79,714
Advertising	1,276	-	1,276	692	76,928	78,896
Canister Collection and Supplies	-	68,368	68,368	-	-	68,368
Maintenance and Repairs	55,453	-	55,453	22	349	55,824
Food and Entertainment	-	-	-	-	43,088	43,088
Development	-	-	-	-	33,771	33,771
Utilities	32,065	-	32,065	-	-	32,065
Printing and Publishing	71	-	71	82	26,583	26,736
Office Supplies	22,250	908	23,158	2,380	1,062	26,600
Insurance	25,055	-	25,055	1,045	-	26,100
Professional Fees	265	-	265	19,578	5,350	25,193
Miscellaneous	5,597	-	5,597	6,961	1,951	14,509
Travel and Meals	5,696	-	5,696	-	8,002	13,698
Telephone	7,613	-	7,613	1,057	264	8,934
Postage	466	-	466	4,040	4,109	8,615
Volunteer Recognition	5,994	-	5,994	821	219	7,034
Meetings/Training/Seminars	474	-	474	4,118	-	4,592
Supplies	-	-	-	-	1,636	1,636
Total Expenses	891,886	166,445	1,058,331	196,260	671,237	1,925,828
						1,673,509

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2010
 (With Comparative Totals For The Year Ended December 31, 2009)
 (Continued)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
	<u>Grant-</u>	<u>General and</u>	
	<u>Making</u>	<u>Administrative</u>	<u>Fundraising</u>
	<u>Operations</u>	<u>Total</u>	<u>2010</u> <u>2009</u>
Payments to RMHC (Global Office)	-	-	28,506 20,902
Less Expenses Included with Revenues on the Statement of Activities	-	(44,724)	(44,724) (28,016)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 891,886</u>	<u>\$ 1,058,331</u>	<u>\$ 1,909,610</u> <u>\$ 1,666,395</u>

See Independent Auditors' Report and Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities</u>		
Excess of Support and Revenue Over Expenses	\$ 592,090	\$ 1,071,393
Permanently Restricted Contributions	(1,000)	(825)
Noncash Expenses, Gains and Losses:		
Depreciation	174,420	232,590
Net Gain on Investments	(612,117)	(1,052,822)
Donated Land, Building and Equipment	(58,919)	(16,800)
(Increase)/Decrease In:		
Accounts Receivable	(1,088)	(2,420)
Pledges and Contributions Receivable	(51,071)	15,270
Prepaid Expenses and Other Assets	(1,792)	(803)
Increase/(Decrease) In:		
Accounts Payable and Accrued Expenses	17,098	(28,816)
Refundable Advance	9,671	3,250
Contributions Payable	(23,585)	(47,250)
Due to RMHC (Global Office)	<u>38,759</u>	<u>-</u>
Net Cash Flow Provided By Operating Activities	<u>82,466</u>	<u>172,767</u>
<u>Cash Flows From Investing Activities</u>		
Proceeds From Sale of Securities	3,029,480	4,704,068
Purchase of Securities	(3,486,928)	(4,850,854)
Acquisition of Land, Building and Equipment	<u>(43,515)</u>	<u>(30,552)</u>
Net Cash Flow Used By Investing Activities	<u>(500,963)</u>	<u>(177,338)</u>
<u>Cash Flows From Financing Activities</u>		
Pledges and Contributions Receivable	50,300	108,106
Permanently Restricted Contributions	<u>1,000</u>	<u>825</u>
Net Cash Flow Provided By Financing Activities	<u>51,300</u>	<u>108,931</u>
Increase/(Decrease) in Cash and Cash Equivalents	(367,197)	104,360
Beginning Cash and Cash Equivalents	<u>789,711</u>	<u>685,351</u>
Ending Cash and Cash Equivalents	<u>\$ 422,514</u>	<u>\$ 789,711</u>

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2010 and 2009

(Continued)

	<u>2010</u>	<u>2009</u>
<u>Noncash Investing Transactions:</u>		
Acquisition of Land, Building and Equipment		
Cost of Land, Building and Equipment	\$ 58,919	\$ 16,800
Donation of Land, Building and Equipment	<u>(58,919)</u>	<u>(16,800)</u>
	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report and Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Ronald McDonald House Charities of Rochester NY, Inc. (the "Organization") reaches out to the community to promote the health and well-being of children and their families by providing a home-away-from-home for families whose children are receiving medical treatment and by supporting other programs that help children. The Ronald McDonald House (the "House"), a 20-bedroom facility that provides temporary lodging to families of seriously ill children who must leave their own homes to seek medical care for their children, is the cornerstone program of the Organization. In January 2005, the Organization opened an additional facility, a seven-bedroom "House Within the Hospital," at the Golisano Children's Hospital at Strong, for families of critically ill or injured children receiving treatments at the hospital. To serve its broader mission of lifting children and families to a better tomorrow, the Organization also makes grants to organizations that improve the health outcomes of children in the Greater Rochester community. Funds for these grants come from donations, including special promotions held by local McDonald franchisees, special designated fundraising activities, matching grants from the National Chapter of Ronald McDonald Houses and investment activities. The Organization manages its funds to support its grants program as well as the House and the House Within the Hospital, at times accumulating funds from year to year for large grants where the Board of Directors considers it prudent to do so.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to supplement information contained in the financial statements.

Net Asset Classification

Certain resources held by the Organization are subject to restrictions and limitations imposed by donors. Resources are classified according to these restrictions.

The classifications used by the Organization are:

- A. Unrestricted Net Assets consist of resources that are not legally restricted for any particular use. Unrestricted Net Assets include Board-designated amounts.
- B. Temporarily Restricted Net Assets consist of resources held under donor or grantor restrictions stipulating how or when the resources can be used. This amount also includes the unexpired portion of a land lease where the House's facility is constructed.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification (Continued)

C. Permanently Restricted Net Assets result from gifts and pledges in which donors stipulate that the principal be held in perpetuity. Income derived from endowment investments is utilized in accordance with donor restrictions and the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Revenue Recognition

Revenue is recorded when earned or due. Contributions are recorded when received or when an unconditional promise to give has been established. Long-term pledges receivable are discounted to their present value.

Income Taxes

The Internal Revenue Service has determined that the Organization is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the Organization is publicly supported. As a result, no provision for federal or state income taxes has been made. The Organization has also been classified as an organization that is not a private foundation.

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including 2007 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The Organization is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Pledges and Contributions Receivable

Pledges and contributions receivable represent amounts due to the Organization under the terms of unconditional promises to give.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services provided.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Checking	\$ 49,440	\$ 52,925
Savings	187,590	436,567
Money Market Funds	<u>185,484</u>	<u>300,219</u>
	<u>\$ 422,514</u>	<u>\$ 789,711</u>

Land, Building and Equipment

Land, building and equipment are recorded at cost if purchased or at fair market value if donated. Major additions with a cost of over \$1,000 and an estimated life of more than 1 year are capitalized by the Organization while expenditures for repairs and maintenance of a relatively minor nature are expensed. Land, building and equipment are depreciated over their expected useful lives using the straight-line method. Depreciation terms are as follows:

<u>Class</u>	<u>Useful Lives</u>
Building and Improvements	5-30 years
Furniture and Equipment	5-7 years
Vehicles	5 years

Depreciation expense amounted to \$174,420 and \$232,590 for the years ended December 31, 2010 and 2009, respectively.

Advertising

Advertising costs are expensed as incurred.

Reclassifications

Certain account balances as of December 31, 2009 have been reclassified to conform with the presentation as of December 31, 2010. The reclassification did not change any of the underlying data, but simply changed the presentation to conform with the presentation in the financial statements for 2010.

**RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

NOTE 2 - COMMITMENTS

The Organization leases the land underlying the House under a ground lease which extends until August 31, 2016 and provides for one 15-year renewal period. The ground lease requires an annual payment of \$1. The estimated net present fair market value of this ground lease is recorded both as a temporarily restricted contribution and as a prepaid expense. The ground lease requires that the premises be maintained to operate exclusively as a Ronald McDonald House. Upon expiration or termination of the ground lease for any reason, the lessor is required to pay the Organization the fair market value of the building and other improvements.

NOTE 3 - LINE OF CREDIT

The Organization signed an agreement during 2006 for a line of credit with a maximum authorization of \$500,000 to aid cash flow during the renovation period for the House. The agreement was amended and restated in 2009. Advances against this line were to bear interest at the greater of 2 percentage points above the one-month LIBOR rate or 3% and were collateralized by the Organization's investments up to the amount advanced on the line of credit. The Organization has never taken advances on this line, and the line was closed in March 2010.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Continued)

NOTE 4 - IN-KIND DONATIONS

In-kind donations consist primarily of materials and supplies for operations of the House and the free use of space for the annual Household & Antiques Sale (formerly the ABC Sale). These amounts are reflected in the accompanying financial statements at their fair values as contributions and expenses as of their date of receipt. Total in-kind donations were \$591,930 for the year ended December 31, 2010, which were comprised of \$580,113 for general House operations and \$11,817 for Special Events activities. Total in-kind donations were \$377,318 for the year ended December 31, 2009, which were comprised of \$372,818 for general House operations and \$4,500 for Special Events activities.

The in-kind donations received included free use of retail space for the Household & Antiques Sale valued at \$125,000 and \$118,000 and free use of warehouse space valued at \$130,778 and \$12,000 for the years ended December 31, 2010 and 2009, respectively.

The Organization also receives donated services that do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. Hundreds of individuals volunteer their time and services to help support the staff and guests of the Organization. The volunteers provide housekeeping, office assistance, gardening, repair, maintenance and solicitation of in-kind goods for the House and the House Within the Hospital. These volunteers also assist with special events such as the annual Household & Antiques Sale. Approximately 700 volunteers donated 46,198 and 42,857 hours for the years ended December 31, 2010 and 2009, respectively, which dramatically reduces the need to hire staff to complete the aforementioned activities. In accordance with accounting principles generally accepted in the United States of America, no amounts have been reflected in the accompanying statements for these donated (volunteer) services.

**RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

(Continued)

NOTE 5 - INVESTMENTS

FASB ASC #820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. Effective January 1, 2008, the Organization adopted the provisions of FASB ASC #820. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

FASB ASC #820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories:

Level 1 – Inputs based upon quoted prices for identical assets and liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Unobservable inputs.

Investments are held in investment funds managed by professional investment advisors.

The following tables set forth information about the level within the fair value hierarchy at which the Organization's investments are measured at December 31:

2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Equity Investments	\$ 4,772,660	\$ -	\$ -	\$ 4,772,660
Bond Investments	-	2,520,148	-	2,520,148
Totals	<u>\$ 4,772,660</u>	<u>\$ 2,520,148</u>	<u>\$ -</u>	<u>\$ 7,292,808</u>

2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Equity Investments	\$ 4,128,105	\$ -	\$ -	\$ 4,128,105
Bond Investments	-	2,095,137	-	2,095,137
Totals	<u>\$ 4,128,105</u>	<u>\$ 2,095,137</u>	<u>\$ -</u>	<u>\$ 6,223,242</u>

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities, it is at least reasonably possible that changes in value could materially affect the accompanying financial statements.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Continued)

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are required by donors to be held for specific purposes and consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
House Within the Hospital Operations and Improvements	\$ 70,000	\$ 137,491
Land Lease	26,557	29,998
Time Restrictions	29,401	44,083
Unappropriated Endowment Earnings	681,889	-
Other	<u>46,649</u>	<u>37,135</u>
	<u>\$ 854,496</u>	<u>\$ 248,707</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are held to generate income for various purposes and consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Kroc Endowment	\$ 504,225	\$ 504,225
Other Endowment	<u>448,460</u>	<u>447,460</u>
	<u>\$ 952,685</u>	<u>\$ 951,685</u>

NOTE 8 - RELATED PARTY TRANSACTION

The National Ronald McDonald House requires that 25% of all revenue that the Organization earns from national promotions held at area Ronald McDonald Restaurants be remitted to them in support of national charitable programs. These remittances totaled \$28,506 and \$20,902 for the years ended December 31, 2010 and 2009, respectively.

In 2010, all of the donation canisters were replaced at the McDonald's Restaurants. RMHC Global advanced the funds to cover the cost of the replacement canisters. 25% of this advance was a grant; the remaining 75% is to be paid back over a three-year period. The current and long-term amounts due at December 31, 2010 are \$1,092 and \$38,759, respectively.

NOTE 9 - EMPLOYEE RETIREMENT PLAN

The Organization adopted a retirement plan (the "Plan") for the benefit of its employees during 2004. The Plan covers all employees who have three or more months of service. The Organization makes discretionary contributions to the Plan. Employer contributions were \$11,181 and \$11,385 for the years ended December 31, 2010 and 2009, respectively.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
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December 31, 2010

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NOTE 10 - ENDOWMENT

The Organization's investment assets consist of both donor-restricted and board-designated funds. As required by generally accepted accounting principles, net assets associated with funds that are donor-restricted against expenditure on a current basis are classified and reported as endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the adoption and observance of policies designed to promote prudence in the investment and appropriation of endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of donations to the endowment, the original value of subsequent donations to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment (that is not classified as permanently restricted) is classified as temporarily restricted until appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

- (1) The duration and preservation of the fund,
- (2) The purposes of the Organization and the fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments in the fund,
- (6) Other resources of the Organization,
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the fund, giving due consideration to the effect that such alternatives may have on the Organization, and
- (8) The investment policies of the Organization.

The Organization has adopted additional investment and spending policies that apply to both endowment and board-designated investment funds. See Note 11 below.

Transitional Effect of NYPMIFA

NYPMIFA applies to endowment funds existing on or established after its effective date of September 17, 2010. The Board of Directors has determined that substantially all of the Organization's permanently restricted net investment assets fall within the definition of endowment funds under NYPMIFA. Based on the Organization's interpretation of NYPMIFA, the Organization has reclassified endowment fund balances of \$530,949 from unrestricted net assets to temporarily restricted net assets as of December 31, 2010.

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Continued)

NOTE 11 - INVESTMENT AND SPENDING POLICIES

As noted above, the Organization's investment assets consist of both donor-restricted and board-designated funds. In addition to the investment and appropriation policies required by law with respect to endowment funds as discussed in Note 10 above, the Organization also applies certain investment and spending policies to all of its investment assets, both donor-designated endowment and board-designated, as a matter of prudence and discretion. In general, the Organization invests and spends all of its investment funds, both donor-restricted (endowment) and board-designated, according to a single consistent set of principles that are intended to comply at a minimum with legal and prudential requirements for donor-restricted funds and in addition to form a basis for the sound investment and expenditure of all such funds.

Investment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Fund	\$ -	\$ 681,889	\$ 952,685	\$ 1,634,574
Board-Designated Endowment Fund	<u>5,708,160</u>	<u>-</u>	<u>-</u>	<u>5,708,160</u>
Total Endowment Net Assets	<u>\$ 5,708,160</u>	<u>\$ 681,889</u>	<u>\$ 952,685</u>	<u>\$ 7,342,734</u>

Investment Net Asset Composition and Changes:

	<u>Unrestricted Quasi Endowment</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted Endowment</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 4,809,796	\$ 530,949	\$ 951,685	\$ 6,292,430
Net Appreciation/ (Depreciation)	598,364	150,940	-	749,304
Contributions	<u>300,000</u>	<u>-</u>	<u>1,000</u>	<u>301,000</u>
Endowment Net Assets - End of Year	<u>\$ 5,708,160</u>	<u>\$ 681,889</u>	<u>\$ 952,685</u>	<u>\$ 7,342,734</u>

RONALD MCDONALD HOUSE CHARITIES OF ROCHESTER NY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Continued)

NOTE 11- INVESTMENT AND SPENDING POLICIES (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by its Board of Directors, for investment assets that attempt to provide a predictable stream of funding for programs supported by these investments while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds annual distributions with acceptable levels of risk. Specifically, the investment return objective is to earn an average annual total rate of return, net of fees, which meets or exceeds composite benchmarks over a trailing one-year, three-year, five-year and inception to date market period for each asset class in the portfolio. The composite benchmark is calculated as a weighted average of the individual benchmarks identified for each asset class, weighted in accordance with the target allocation to each class in the portfolio.

Investment assets are invested in a diversified asset mix, which includes equity securities and fixed income, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while producing accumulation in absolute terms and maintaining purchasing power against inflation over the long term. Investment risk is measured in terms of the total investment fund. In establishing the targeted asset allocation for the various asset classes, historical and expected rates of return and correlation among returns are analyzed to achieve a combination of classes designed to maximize returns while minimizing volatility.

Spending Policy

The Organization allows appropriation from its investment funds (both endowment and board-designated) in each year of 4% of a rolling 20-quarter average of their combined market values, with a floor of 3% of their current combined market values and a ceiling of 5.5% of such values. The amount thus potentially available to be appropriated is calculated annually as of September 30 each year, with 25% of this calculated annual amount considered available in each quarter during the following calendar year. However, this potential appropriation is actually taken for a given quarter only if (and to the extent that) operating cash and cash equivalent balances outside of the investment funds fall short of 25% of annual budgeted operating expenses for the quarter. Should donor-imposed or other legal restrictions ever be inconsistent with this policy, the legal restrictions are given precedence. In establishing this policy, the Organization considered the investment and spending factors identified in Note 10.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 20, 2011, which is the date the statements were available for issuance.