

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

Independent Auditors' Report

Board of Directors
Ronald McDonald House Charities of
Eastern Iowa & Western Illinois, Inc.
Iowa City, Iowa

We have audited the accompanying financial statements of Ronald McDonald House Charities of Eastern Iowa & Western Illinois, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
Ronald McDonald House Charities of
Eastern Iowa & Western Illinois, Inc.

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 Eastern Iowa & Western Illinois, Inc. as of December 31, 2014 and 2013, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
March 26, 2015

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 702,298	\$ 539,956
Unconditional Promises to Give:		
Pledges Receivable	18,777	15,000
Receivable from the University of Iowa	5,200	15,515
Inventory	6,616	7,940
Prepaid Expenses	26,376	26,322
Total Current Assets	759,267	604,733
INVESTMENTS	2,268,202	1,882,291
PROPERTY AND EQUIPMENT		
Land Lease	304,384	304,384
Building	4,052,763	4,008,523
Furnishings	431,569	528,226
Vehicles	27,051	27,051
Total	4,815,767	4,868,184
Less Accumulated Depreciation	(2,880,140)	(2,822,321)
Net Property and Equipment	1,935,627	2,045,863
 Total Assets	 \$ 4,963,096	 \$ 4,532,887
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 64,303	\$ 22,050
Grants Payable	-	18,500
Accrued Expenses	5,898	4,432
Total Current Liabilities	70,201	44,982
NET ASSETS		
Unrestricted, Designated for Property	1,836,760	1,946,056
Unrestricted, Designated for Endowment	902,487	601,047
Unrestricted, Designated for Capital Reserve	100,587	100,537
Unrestricted, Designated for Operating Reserve	270,828	162,374
Unrestricted, Undesignated	144,621	252,090
Total Unrestricted Net Assets	3,255,283	3,062,104
Temporarily Restricted	1,137,612	925,801
Permanently Restricted	500,000	500,000
Total Net Assets	4,892,895	4,487,905
 Total Liabilities and Net Assets	 \$ 4,963,096	 \$ 4,532,887

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Contribution and Fundraising Events	\$ 958,260	\$ 166,280	\$ -	1,124,540	\$ 823,732	\$ 38,750	\$ -	\$ 862,482
Special Events, Net of Expenses of \$52,680 for 2014 and \$60,306 for 2013	168,304	-	-	168,304	159,937	-	-	159,937
Room Fees and Related Revenue	52,078	-	-	52,078	72,561	-	-	72,561
Interest and Dividends	39,690	69,377	-	109,067	18,411	49,759	-	68,170
Net Realized and Unrealized Gains	7,557	24,088	-	31,645	35,943	161,194	-	197,137
Gain on Sale of Fixed Assets	-	-	-	-	10,500	-	-	10,500
Net Assets Released From Restrictions:								
Satisfaction of Purpose and Time Restrictions	47,934	(47,934)	-	-	40,819	(40,819)	-	-
Total Public Support and Revenue	1,273,823	211,811	-	1,485,634	1,161,903	208,884	-	1,370,787
EXPENSES								
Program Services								
Ronald McDonald House	701,290	-	-	701,290	642,239	-	-	642,239
Grants	41,597	-	-	41,597	69,486	-	-	69,486
Scholarships	24,335	-	-	24,335	24,988	-	-	24,988
Remittances to Global	49,262	-	-	49,262	40,301	-	-	40,301
Total Program Services	816,484	-	-	816,484	777,014	-	-	777,014
Supporting Activities								
Management and General	100,803	-	-	100,803	58,935	-	-	58,935
Fundraising	163,357	-	-	163,357	163,212	-	-	163,212
Total Supporting Activities	264,160	-	-	264,160	222,147	-	-	222,147
Total Expenses	1,080,644	-	-	1,080,644	999,161	-	-	999,161
CHANGE IN NET ASSETS	193,179	211,811	-	404,990	162,742	208,884	-	371,626
Net Assets - Beginning of Year	3,062,104	925,801	500,000	4,487,905	2,899,362	716,917	500,000	4,116,279
NET ASSETS - END OF YEAR	\$ 3,255,283	\$ 1,137,612	\$ 500,000	\$ 4,892,895	\$ 3,062,104	\$ 925,801	\$ 500,000	\$ 4,487,905

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total	
EXPENSES					
Salaries	\$ 252,292	\$ 35,818	\$ 70,220	\$ 106,038	\$ 358,330
Payroll Taxes	19,038	5,824	2,204	8,028	27,066
Employee Benefits	19,100	2,485	6,040	8,525	27,625
Insurance	25,268	-	-	-	25,268
Scholarship and Grants	65,932	-	-	-	65,932
Supplies	32,233	-	3,966	3,966	36,199
Repairs and Maintenance	31,716	-	3,981	3,981	35,697
Occupancy	57,860	513	513	1,026	58,886
Telephone	5,979	-	-	-	5,979
Vehicle	2,731	-	-	-	2,731
Travel	3,324	-	-	-	3,324
Conference and Meetings	3,485	8,881	-	8,881	12,366
Postage	3,141	20	98	118	3,259
Printing	1,755	-	21,441	21,441	23,196
Accounting and Audit	-	25,653	-	25,653	25,653
Legal Fees	-	200	-	200	200
Investment Fees	-	14,056	-	14,056	14,056
Miscellaneous Fundraising	-	-	50,368	50,368	50,368
Software Licenses	2,400	-	2,701	2,701	5,101
Website	1,230	-	-	-	1,230
Service Contracts	11,536	-	-	-	11,536
Guest Parking Fees	18,831	-	-	-	18,831
Remittances to Global	49,262	-	-	-	49,262
Miscellaneous	30,503	5,528	-	5,528	36,031
Total Expenses Before Depreciation	637,616	98,978	161,532	260,510	898,126
Depreciation	178,868	1,825	1,825	3,650	182,518
Total Expenses	\$ 816,484	\$ 100,803	\$ 163,357	\$ 264,160	\$ 1,080,644

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total	
EXPENSES					
Salaries	\$ 210,013	\$ 34,865	\$ 68,294	\$ 103,159	\$ 313,172
Payroll Taxes	16,040	2,645	5,157	7,802	23,842
Employee Benefits	13,218	2,554	5,963	8,517	21,735
Insurance	25,144	-	-	-	25,144
Scholarship and Grants	87,857	-	-	-	87,857
Supplies	14,407	-	4,759	4,759	19,166
Repairs and Maintenance	17,943	-	10,159	10,159	28,102
Occupancy	43,851	447	447	894	44,745
Telephone	6,223	-	-	-	6,223
Vehicle	2,708	-	-	-	2,708
Travel	1,183	-	-	-	1,183
Conference and Meetings	9,767	-	-	-	9,767
Postage	3,324	-	-	-	3,324
Printing	5,527	-	15,846	15,846	21,373
Accounting and Audit	25,280	-	-	-	25,280
Legal Fees	1,548	-	-	-	1,548
Investment Fees	-	11,569	-	11,569	11,569
Miscellaneous Fund Raising	-	-	50,752	50,752	50,752
Software Licenses	6,628	-	-	-	6,628
Website	1,163	-	-	-	1,163
Service Contracts	11,379	-	-	-	11,379
Guest Parking Fees	29,484	-	-	-	29,484
Remittances to Global	40,301	-	-	-	40,301
Miscellaneous	17,442	5,020	-	5,020	22,462
Total Expensess Before Depreciation	590,430	57,100	161,377	218,477	808,907
Depreciation	186,584	1,835	1,835	3,670	190,254
Total Expenses	\$ 777,014	\$ 58,935	\$ 163,212	\$ 222,147	\$ 999,161

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 404,990	\$ 371,626
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	182,518	190,254
(Gain) Loss on Disposal of Property and Equipment	1,834	(10,500)
Non-Cash Land Lease Contribution	-	(6,617)
Non-Cash Rent Expense	7,557	-
Net Unrealized Gain on Investments	(31,645)	(197,137)
Effects of Changes in Operating Assets and Liabilities:		
Receivables	11,738	38,964
Inventory	1,324	2,394
Prepaid Expenses	(54)	1,700
Accounts Payable and Accrued Expenses	7,203	(33,225)
Net Cash Provided by Operating Activities	585,465	357,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(68,857)	(56,454)
Purchases of Investments	(1,173,948)	(1,203,002)
Proceeds from Sales of Investments	819,682	770,778
Net Cash Used in Investing Activities	(423,123)	(488,678)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	162,342	(131,219)
Cash and Cash Equivalents - Beginning of Year	539,956	671,175
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 702,298	\$ 539,956

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description

The Ronald McDonald House Charities of Eastern Iowa & Western Illinois, Inc. (the Organization) was incorporated in 1982 in the state of Iowa. The Organization creates, finds, and supports programs that directly improve the health and well-being of children. The Organization provides care and comfort to children and their families by supporting its cornerstone program, the 31-room “home away from home” Ronald McDonald House (the House) of Iowa City. Located in Iowa City, the house provides temporary housing for parents and families of children receiving critical medical care at a nearby medical facility. The Organization also supports not-for-profit children’s programs and students making a difference in Eastern Iowa and Western Illinois through its grants and scholarship program. Grants are distributed to other non-profit organizations that benefit the health and well-being of children in the areas of civic and social services, education and the arts, and health care and medical research. Scholarships are awarded to eligible high school seniors who face limited access to educational and career opportunities in their communities. The Organization funds the operations of the House, grants and scholarship programs through fees paid by guests, fundraising activities and contributions. The Organization’s fiscal year ends on December 31. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor-imposed restrictions.

Investment income is reported in the statement of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor-imposed restrictions. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported in unrestricted net assets when the restrictions are met in the same reporting period as the gains and income are recognized.

Inventory

Inventory is recorded at the lower of cost or market determined on a first-in, first-out (FIFO) basis.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment which were purchased are stated at their original cost and donated property and equipment are recorded at fair market value at the date of receipt. The Organization follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$5,000 and a useful life greater than one year. Depreciation is computed on a tax basis over the estimated useful lives of the assets ranging from five to thirty nine years.

The contribution of the use of the land owned by the University of Iowa and utilized by the Organization has not been reflected in the financial statements as revenue and equivalent expense since the use of the property benefits the University of Iowa Hospitals and the property is not available for non-University purposes.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted net assets includes all net assets which are neither temporarily nor permanently restricted. If the Board of Directors specifies a purpose where none has been stated by the original donor, such funds are classified as designated unrestricted funds.

Temporarily restricted net assets includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently restricted net assets includes contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and as support when received. All unconditional promises to give are deemed collectible by management.

Contributions of donated goods are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment are recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The recognition of revenue received during the current period in exchange for services that will occur in the next fiscal period is deferred until that time.

Advertising

The Organization expenses advertising costs as incurred.

Functional Expenses

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

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Organization is a private foundation.

The Organization files information returns in the U.S. federal jurisdiction. The Organization follows the accounting standard for evaluating uncertain tax positions and has determined that it was not required to record a liability related to uncertain tax positions. The federal information returns of the Organization for the year ended December 31, 2010 and thereafter are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 INVESTMENTS

Investments consist of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Fixed income mutual funds	\$ 966,029	\$ 743,754
Equity mutual funds	1,143,865	1,060,133
Money market	158,308	78,404
Total	<u>\$ 2,268,202</u>	<u>\$ 1,882,291</u>

NOTE 3 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds are securities listed on a national market or exchange and valued at the last sale price, or if there is no sale and the market is still considered active, at the last transaction price before year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income Mutual Funds				
High Yield Bond	\$ 201,496	\$ -	\$ -	\$ 201,496
Government Bond	406,821	-	-	406,821
Corporate Bond	357,712	-	-	357,712
Equity Mutual Funds				
Value	497,891	-	-	497,891
Growth	494,385	-	-	494,385
Foreign Value	82,319	-	-	82,319
Diversified Emerging Market	33,086	-	-	33,086
Real Estate Investment Trust	36,184	-	-	36,184
Total Assets at Fair Value	<u>\$ 2,109,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,109,894</u>

The following tables sets forth by level, with the fair value hierarchy, the Organization's assets at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income Mutual Funds				
High Yield Bond	\$ 115,484	\$ -	\$ -	\$ 115,484
Government Bond	206,559	-	-	206,559
Corporate Bond	421,711	-	-	421,711
Equity Mutual Funds				
Value	494,422	-	-	494,422
Growth	499,183	-	-	499,183
Foreign Value	33,340	-	-	33,340
Diversified Emerging Market	33,188	-	-	33,188
Total Assets at Fair Value	<u>\$ 1,803,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,803,887</u>

NOTE 4 ENDOWMENT

The Organization's endowments consist of two main funds established to support capital, programming, and the general operating needs of the Organization. Its endowments consist of donor-restricted and board designated endowment funds. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of the Organization has interpreted the Iowa Uniform Act - Institutional Funds Management Act (IUA-IFMA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide current income to fund the operations of the Organization as well as to enhance the future resources available to the Organization through long-term appreciation of assets.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations Board. In accordance with IUA-IFMA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment 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
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment objectives to seek maximum total return consistent with the preservation of principal, diversification, and avoidance of excessive risk. An equity oriented strategy is required to meet the investment objectives. As a result, it is acceptable for the majority of assets to be invested in equity or equity-like securities, including real estate assets (real estate and natural resources). Investment managers are prohibited from investing in single equity securities. The preferable approach is to invest funds in mutual fund type investments. Real assets provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. A target for asset allocations will be 30-60% equities and 40-70% fixed income. Fixed income assets other than cash equivalents shall have a Moody's or Standard Poor's rating of at least "BAA". Equities benchmark is performance that will meet or exceed by one percent (1%), net of management fees, the return of the S&P 500 Index. The fixed income benchmark is performance that will meet or exceed by at least .25% the Merrill Lynch US Corporate/Government 1-10 year bond index. Cash equivalents are expected to meet or exceed the return of ninety-day US Treasury Bills.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4 ENDOWMENTS (CONTINUED)

Spending Policy

The spending policy is set by the Board of Directors and is reviewed annually. Currently no spending of the endowment is occurring as the board deems it necessary to grow the endowment.

Endowment net asset composition by type of fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 865,715	\$ 500,000	\$ 1,365,715
Board-Designated Endowment Funds	902,487	-	-	902,487
Total Endowment Funds	<u>\$ 902,487</u>	<u>\$ 865,715</u>	<u>\$ 500,000</u>	<u>\$ 2,268,202</u>

Changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 601,047	\$ 781,244	\$ 500,000	\$ 1,882,291
Investment Income	38,851	69,377	-	108,228
Investment Fees	(5,062)	(8,994)	-	(14,056)
Net Appreciation	7,553	24,088	-	31,641
Contributions	260,098	-	-	260,098
Net Assets, End of Year	<u>\$ 902,487</u>	<u>\$ 865,715</u>	<u>\$ 500,000</u>	<u>\$ 2,268,202</u>

Endowment net asset composition for the year ended as of December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 781,244	\$ 500,000	\$ 1,281,244
Board-Designated Endowment Funds	601,047	-	-	601,047
Total Endowment Funds	<u>\$ 601,047</u>	<u>\$ 781,244</u>	<u>\$ 500,000</u>	<u>\$ 1,882,291</u>

Changes in endowment net assets for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 174,208	\$ 578,723	\$ 500,000	\$ 1,252,931
Investment Income	19,412	49,759	-	69,171
Investment Fees	(3,137)	(8,432)	-	(11,569)
Net Appreciation	34,564	161,194	-	195,758
Contributions	376,000	-	-	376,000
Net Assets, End of Year	<u>\$ 601,047</u>	<u>\$ 781,244</u>	<u>\$ 500,000</u>	<u>\$ 1,882,291</u>

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes for the years ending December 31:

	2014	2013
Unappropriated Endowment Earnings, for Future Periods	\$ 865,715	\$ 781,244
Land Lease Contribution	98,867	99,807
Memorial Garden	5,360	-
Future Operations	5,200	38,000
Family Room, St. Luke's	100,000	-
Remodeling, RMH Iowa City	62,470	6,750
Total	\$ 1,137,612	\$ 925,801

Permanently restricted net assets must be invested in perpetuity, the income from which expendable on the Organization's operations.

NOTE 6 OPERATING LEASE

The Organization leases land under an agreement with the University of Iowa that expires January 31, 2028 and requires a nominal annual rental. The value of this contributed lease has been recorded as an asset and temporarily restricted net asset. This asset is being amortized to depreciation expense of the life of the lease and a corresponding release from restriction is being recorded each year. The value of the land lease is based on estimates made by management in conjunction with the University of Iowa and information currently known.

NOTE 7 RONALD MCDONALD HOUSE CHARITIES LICENSE

The Organization holds a license from McDonald's Corporation and Ronald McDonald House Charities, Inc. (global) to operate in the community. The license agreement requires the Organization to remit 25 percent of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities, Inc. on a quarterly basis. In some cases, the fundraising amounts are collected by the global organization and the net amount is remitted to the Organization. In other cases the Organization receives the gross proceeds and remits 25 percent to the global organization. Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

The Organization remitted \$49,262 and \$40,301 from canister collections to the global organization in the years ended December 2014 and 2013, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF
EASTERN IOWA & WESTERN ILLINOIS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 8 SUBSEQUENT EVENTS

Subsequent to year end, a Ronald McDonald Family Room opened in a medical center in Cedar Rapids, Iowa. The Organization will be responsible for the management, staffing, annual upkeep of the interior design, furniture and fixtures, necessary supplies and printed materials in the designated space. Costs are estimated to be approximately \$100,000 annually.

Management evaluated subsequent events through March 26, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to March 26, 2015, that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2014.