HENRY & HORNE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

RONALD MCDONALD HOUSE CHARITIES
OF PHOENIX, INC
Phoenix, Arizona

FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013

HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of Phoenix, Inc.
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House Charities of Phoenix, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the accompanying consolidated financial statements of Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation, which comprise the consolidated statement of financial position as of December 31, 2013, and the related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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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 2014 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Phoenix, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2013 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona
June 1, 2015

RONALD MCDONALD HOUSE CHARITIES OF PHOENIX, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014
(With Comparative Consolidated Information about Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation as of December 31, 2013)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 757,005	$ 1,731,497
Accounts receivable	7,186	8,059
Promises to give, current portion	420,085	792,362
Prepaid expenses	10,831	20,489
TOTAL CURRENT ASSETS	1,195,107	2,552,407
PROMISES TO GIVE, net of current portion	33,116	65,465
INVESTMENTS	3,806,705	3,858,391
DONATED LAND USE RIGHTS, net	194,287	90,203
PROPERTY AND EQUIPMENT, net	8,637,930	6,523,740
TOTAL ASSETS	$ 13,867,145	$ 13,090,206
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 176,641	$ 33,633
Accrued expenses	23,585	19,121
Deferred revenue	10,614	3,170
TOTAL CURRENT LIABILITIES	210,840	55,924
TOTAL LIABILITIES	210,840	55,924
NET ASSETS		
Unrestricted:		
Undesignated	10,953,168	9,490,322
Board designated	1,110,002	827,711
Total unrestricted	12,063,170	10,318,033
Temporarily restricted	1,103,510	2,226,624
Permanently restricted	489,625	489,625
TOTAL NET ASSETS	13,656,305	13,034,282
TOTAL LIABILITIES AND NET ASSETS	$ 13,867,145	$ 13,090,206

See accompanying notes.

RONALD MCDONALD HOUSE CHARITIES OF PHOENIX, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2014
(With Comparative Consolidated Information about Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation for the Year Ended December 31, 2013)

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 1,281,521	$ 807,530	$ -	$ 2,089,051
Donated materials and services	621,793	-	-	621,793
Program service revenues	53,327	-	-	53,327
Investment income	149,004	-	-	149,004
Net assets released from restrictions	1,930,644	(1,930,644)	-	-
	4,036,289	(1,123,114)	-	2,913,175
Special events revenue	418,944	-	-	418,944
Direct donor benefits	(170,778)	-	-	(170,778)
	248,166	-	-	248,166
	4,284,455	(1,123,114)	-	3,161,341
FUNCTIONAL EXPENSES				
Program services	1,826,482	-	-	1,826,482
Management and general	115,502	-	-	115,502
Fundraising	503,882	-	-	503,882
	2,445,867	-	-	2,445,867
Payments to affiliates	93,451	-	-	93,451
CHANGE IN NET ASSETS	1,745,137	(1,123,114)	-	622,023
NET ASSETS AT BEGINNING OF YEAR	10,318,033	2,226,624	489,625	13,034,282
NET ASSETS, END OF YEAR	$ 12,063,170	$ 1,103,510	$ 489,625	$ 13,656,305

See accompanying notes.

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,227,872	$ 1,534,654	$ -	$ 2,762,526
296,692	-	-	296,692
49,737	-	-	49,737
255,925	-	-	255,925
295,961	(295,961)	-	-
2,126,187	1,238,693	-	3,364,880
346,401	-	-	346,401
(130,853)	-	-	(130,853)
215,548	-	-	215,548
2,341,735	1,238,693	-	3,580,428
1,713,548	-	-	1,713,548
90,617	-	-	90,617
417,862	-	-	417,862
2,222,027	-	-	2,222,027
81,605	-	-	81,605
38,103	1,238,693	-	1,276,796
10,279,930	987,931	489,625	11,757,486
$ 10,318,033	$ 2,226,624	$ 489,625	$ 13,034,282

RONALD MCDONALD HOUSE CHARITIES OF PHOENIX, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014
(With Comparative Consolidated Information about Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation for the Year Ended December 31, 2013)

	2014			
	Program Services	Management and General	Fundraising Activities	Total
Personnel costs				
Salaries and wages	$ 491,092	$ 74,912	$ 266,355	$ 832,359
Employee benefits and payroll taxes	83,417	12,725	45,246	141,388
Total personnel costs	574,509	87,637	311,601	973,747
In-kind donations for families	275,534	-	-	275,534
Scholarships	227,755	-	-	227,755
Occupancy	43,673	455	1,365	45,493
Maintenance	178,618	3,663	12,062	194,343
Telephone	17,282	180	540	18,002
Canister expenses	-	-	91,298	91,298
Other fundraising expenses	-	-	50,613	50,613
Volunteer expenses	-	-	295	295
House supplies	17,212	-	-	17,212
Professional services	-	18,090	-	18,090
Printing and publications	11,812	123	369	12,304
Insurance	19,323	201	604	20,128
Office supplies	19,579	204	612	20,395
Transportation, travel and				-
meetings	1,460	223	792	2,475
Bank and credit card fees	8,312	87	260	8,658
Banner house expenses	47,581	451	1,352	49,384
Bad debt expense	-	-	19,417	19,417
Other expenses	29,376	497	1,626	31,499
Total functional expenses before depreciation	1,472,026	111,810	492,805	2,076,642
Depreciation	354,456	3,692	11,077	369,225
Total functional expenses	1,826,482	115,502	503,882	2,445,867
Direct benefit to donors	-	-	-	170,778
Payments to affliates	-	-	-	93,451
TOTAL EXPENSES	$ 1,826,482	$ 115,502	$ 503,882	$ 2,710,096

See accompanying notes.

2013			
Program Services	Management and General	Fundraising Activities	Total
$ 456,516	$ 69,638	$ 247,602	$ 773,756
78,173	11,924	42,399	132,496
534,689	81,562	290,001	906,252
224,027	-	-	224,027
228,220	-	-	228,220
29,503	76	228	29,807
190,661	3,094	9,944	203,699
20,764	216	649	21,629
-	-	78,606	78,606
-	-	19,503	19,503
-	-	228	228
21,493	-	-	21,493
16,272	169	509	16,950
16,313	170	510	16,993
20,701	216	647	21,564
18,323	191	572	19,086
8,465	772	3,917	13,154
9,764	102	305	10,171
-	-	-	-
-	-	-	-
27,738	438	1,412	29,588
1,366,933	87,006	407,031	1,860,970
346,615	3,611	10,831	361,057
1,713,548	90,617	417,862	2,222,027
-	-	-	130,853
-	-	-	81,605
$ 1,713,548	$ 90,617	$ 417,862	$ 2,434,485

RONALD MCDONALD HOUSE CHARITIES OF PHOENIX, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014
(With Comparative Consolidated Information about Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation for the Year Ended December 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 622,023	$ 1,276,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	369,225	361,057
Bad debt expense	19,417	-
Donation of furniture, equipment and building improvements	(346,259)	-
Net realized/unrealized gain on investments	(107,191)	(193,503)
Change in value of donated land use rights	(104,084)	980
Decrease (increase) in:		
Accounts receivable	873	13,496
Promises to give	385,209	(41,527)
Prepaid expenses and other assets	9,658	1,756
Decrease (increase) in:		
Accounts payable	143,008	(17,352)
Accrued expenses	4,464	(949)
Deferred revenue	7,444	(33,818)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,003,787	1,366,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(129,719)	(202,364)
Proceeds from sales of investments	288,596	146,570
Purchases of property and equipment	(2,137,156)	(139,952)
NET CASH USED BY INVESTING ACTIVITIES	(1,978,279)	(195,746)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(974,492)	1,171,190
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,731,497	560,307
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 757,005	$ 1,731,497

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Ronald McDonald House Charities of Phoenix (RMHC) is a welcoming home away from home for families with children facing medical challenges, providing an atmosphere of comfort, hope and courage.

RMHC, with support from Global Ronald McDonald House Charities, McDonald's and McDonald's restaurants, offer scholarships to students from the local area who face limited access to educational and career opportunities. These scholarships are part of RMHC's ongoing commitment to education.

Since 1985, the Ronald McDonald House has been providing a loving "home away from home" for families. Managed by a volunteer community board, nine full time and fourteen part-time staff members and over 50 house volunteers, the house is a peaceful respite for families from the noise, machines, confusion, and stress of the hospital. The families will find private bedrooms, an outdoor playground and indoor playroom, and a large kitchen with dining room and laundry facilities. In addition to providing housing, another benefit of staying at Ronald McDonald House is being able to interact with the other families who are going through the same experiences. Ronald McDonald House is the cornerstone program of RMHC, and is able to provide assistance to 79 families every night.

The Accent on Kids Endowment Foundation (the "Foundation") was incorporated in June 1994 to provide long-term financial support for the Ronald McDonald House. In March 2014, management dissolved the Foundation. All assets of the Foundation in the amount of $1,322,937 were transferred to Arizona Community Foundation for the benefit of RMHC. These assets are included in the financial statements of RMHC.

Basis of Consolidation

The 2013 consolidated financial statements include the accounts of Ronald McDonald House Charities of Phoenix, Inc. and Accent on Kids Endowment Foundation (collectively, the "Organization.") All significant inter-organization transactions and accounts have been eliminated in consolidation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash and money market funds held in investment accounts are included as investments instead of cash as they are considered to be part of the investment pool.

Accounts Receivable

Accounts receivable from program services are stated at the amount management expects to collect from outstanding balances. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Management evaluates the collectability of is accounts receivable based on a combination of factors, including an assessment of the current status of individual balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Management considers accounts receivable at December 31, 2014 and 2013 to be fully collectible and, accordingly, an allowance has not been recorded.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Organization records a specific reserve to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed to be uncollectible.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and 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).

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are 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.

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 or 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, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are recognized in the statements of activities and changes in net assets.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainty

The Organization invests in various types of investments which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of financial position.

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that 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 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 the carrying amount or fair value less costs to sell.

Endowment Funds

The Organization's endowments consist of one board designated fund and one donor restricted fund. As required by generally accepted accounting principles, 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. Income from the endowment fund assets can be used to support general activities of the Organization.

The Organization follows Arizona’s Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds when a donor’s intent is not expressed. MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor’s intent that the fund continue in perpetuity.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

The Organization classifies in permanently restricted funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 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 Organization's Board.

In accordance with MCFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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) the Organization’s other resources, and (7) the Organization’s investment policies.

Return Objectives, Risk Parameters and Spending Policy. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments while also maintaining the purchasing power of those endowment assets over the long term. The endowment assets are invested in a manner that is intended to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility is tolerated in as much as it is consistent with the volatility of a comparable market index.

Spending Policy. The Organization has a policy of annually appropriating for distribution each year 5% of its endowment funds average fair value of the 12 month period ending the previous September 30. In establishing this policy, the Organization considered the long-term expected return on its investments, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow over time.

Revenue Recognition for Program Services

RMHC recognizes revenue related to room rentals in the period earned.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions and grants, including promises to give, are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Donated Services and Materials

Donated material and other non-cash assets are recorded at fair value in the period received. Donated services are recorded at their estimated fair value if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fund-raising campaigns.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs are generally based on personnel activity.

Income Tax Status

Ronald McDonald House Charities of Phoenix, Inc. qualifies as a tax exempt organization under Section 501(c)(3) of Internal Revenue Code (the Code), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, RMHC qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Organization follows accounting standards for uncertainty in income taxes, which require that tax positions initially need to be recognized in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of December 31, 2014, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Organization's federal and state exempt returns are no longer subject to examination by the Internal Revenue Service and the State of Arizona for fiscal years prior to December 31, 2011 and 2010, respectively, generally three to four years after they were filed.

The Organization recognizes interest and penalties associated with income tax in operating expenses. During the years December 31, 2014 and 2013, the Organization did not have any income tax related interest and penalty expense.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 1, 2015, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and cash equivalents and promises to give. The Organization maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. At December 31, 2014 and 2013, the Organization's bank balances exceeded federally insured limits by approximately $507,000 and $1,180,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 2 CONCENTRATION OF CREDIT RISK (Continued)

Gross promises to give at December 31, 2014 include amounts from one donor which make up 33% of total gross promises to give. Gross promises to give at December 31, 2013 include amounts from four donors which make up 62% of total gross promises to give. Concentrations of credit risk with respect to these promises to give are limited due to the collection history and relationships with these donors.

NOTE 3 PROMISES TO GIVE

Promises to give consist of the following unconditional promises to give at December 31:

	2014	2013
Capital campaign promises to give due in less than one year	$ 70,092	$ 638,037
Other promises to give due in less than one year	349,993	154,325
Capital campaign promises to give due in two to five years	33,116	65,465
Total promises to give	$ 453,201	$ 857,827

NOTE 4 INVESTMENTS

Investments consist of the following at December 31:

	2014	2013
Cash and short term investments	$ 48,071	$ 141,622
Equity securities	792,959	1,276,894
Fixed income securities	1,334,571	1,490,371
Commodities	31,476	7,001
Hedge funds	-	56,724
Mutual funds	-	885,779
Funds held with ACF	1,599,628	-
Total investments	$ 3,806,705	$ 3,858,391

NOTE 4 INVESTMENTS (continued)

Investment return is summarized as follows for the year ended December 31:

	2014	2013
Interest and dividends	$ 69,962	$ 89,095
Net realized and unrealized gain	107,191	193,503
Investment fees	(28,149)	(26,673)
Investment return	$ 149,004	$ 255,925

NOTE 5 FAIR VALUE MEASUREMENTS

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31:

	2014			
	Level 1	Level 2	Level 3	Total
Cash and short term investments	$ 48,071	$ -	$ -	$ 48,071
Equity securities	792,959	-	-	792,959
Fixed income securities	1,334,571	-	-	1,334,571
Commodities	31,476	-	-	31,476
Funds held with ACF	-	-	1,599,628	1,599,628
	$ 2,207,077	$ -	$ 1,599,628	$ 3,806,705

	2013			
	Level 1	Level 2	Level 3	Total
Cash and short term investments	$ 141,622	$ -	$ -	$ 141,622
Equity securities	1,276,894	-	-	1,276,894
Fixed income securities	1,490,371	-	-	1,490,371
Commodities	7,001	-	-	7,001
Hedge funds	-	56,724	-	56,724
Mutual funds	885,779	-	-	885,779
	$ 3,801,667	$ 56,724	$ -	$ 3,858,391

NOTE 5 FAIR VALUE MEASUREMENTS (Continued)

Investments with readily determinable fair values are measured at fair value in the statements of financial position as determined by quoted market prices in active markets (Level 1). Investments in funds held with Arizona Community Foundation (ACF) are valued based on the fair value of the underlying assets held by ACF and the Organization's percentage interest in ACF's investments (Level 3).

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2014.

Balance, December 31, 2013	$ -
Purchase of investment fund with ACF	1,637,399
Realized and unrealized gains	38,301
Interest and dividends	13,652
Investment fees	(11,128)
Distribution from fund	(78,596)
Balance, December 31, 2014	$ 1,599,628

NOTE 6 DONATED LAND USE RIGHTS

In March 2007, the Organization received a donation of a right to the use of land for 99 years. This donated right to the use of land was donated to the Organization for the purpose of constructing and operating a housing unit on the campus of Phoenix Children's Hospital. During the year ended December 31, 2014, the Organization received another donation of a right to use of land and building space for 99 years. The donated right to use of land and building space was donated for the purpose of constructing and operating a housing unit on the Banner Desert Hospital campus. These donated land use rights assets are recorded at the net present value of estimated future benefits to be received at a discount rate of 3%.

NOTE 6 DONATED LAND USE RIGHTS (Continued)

The annual lease expense amortized in relation to these two donations is approximately $36,000. The promise to give of donated land use rights as of December 31, 2014 and 2013 consists of the following:

	2014	2013
Donated land and building use rights	$ 3,411,750	$ 1,840,000
Unamortized discount	(3,217,463)	(1,749,797)
	$ 194,287	$ 90,203

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2014	2013
Land	$ 636,179	$ 636,179
Buildings and improvements	11,041,061	8,562,270
Furniture and equipment	666,871	592,959
Vehicles	31,730	31,730
	12,375,841	9,823,138
Accumulated depreciation	(3,737,911)	(3,410,727)
	8,637,930	6,412,411
Construction in progress	-	111,329
	$ 8,637,930	$ 6,523,740

Depreciation expense was $369,225 and $361,057 for the years ended December 31, 2014 and 2013, respectively.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2014	2013
Time and purpose restricted:		
Donated land use rights	$ 194,287	$ 90,203
Cardon House operating expenses for 2015	150,000	-
Promises to give:		
Cardon House operating expenses for 2016	150,000	-
Scholarships	9,110	-
Capital campaign pledges and other promises to give	294,091	703,502
Purpose restricted:		
Scholarships	306,022	330,325
Capital expansion	-	1,102,594
	$ 1,103,510	$ 2,226,624

NOTE 9 ENDOWMENT FUNDS

Endowments consist of funds restricted in perpetuity by donors and board designated endowment funds. Endowment net asset composition by type of fund at December 31, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 489,625	$ 489,625
Board-designated endowment funds	1,110,002	-	-	1,110,002
	$ 1,110,002	$ -	$ 489,625	$ 1,599,627

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 489,625	$ 489,625
Board-designated endowment funds	827,711	-	-	827,711
	$ 827,711	$ -	$ 489,625	$ 1,317,336

NOTE 9 ENDOWMENT FUNDS (Continued)

Changes in endowment funds for the year ended December 31, 2014 and 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds at December 31, 2012	$ 883,519	$ -	$ 489,625	$ 1,373,144
Interest and dividends	-	32,419	-	32,419
Net realized and unrealized losses	-	(6,456)	-	(6,456)
Investment fees	-	(13,756)	-	(13,756)
Amounts appropriated for expenditure	(55,808)	(12,207)	-	(68,015)
Endowment funds at December 31, 2013	827,711	-	489,625	1,317,336
Contributions	314,462	-	-	314,462
Interest and dividends	-	17,077	-	17,077
Net realized and unrealized losses	-	44,496	-	44,496
Investment fees	-	(15,148)	-	(15,148)
Amounts appropriated for expenditure	(32,171)	(46,425)	-	(78,596)
Endowment funds at December 31, 2014	$ 1,110,002	$ -	$ 489,625	$ 1,599,627

NOTE 10 RETIREMENT PLAN

The Organization participates in a Simple IRA (tax deferred annuity) on behalf of employees. Employees can contribute to the plan, up to the maximum allowed. The Organization will match employee contributions up to 3% of each eligible employee's salary upon employment. Contribution expense under the plan was $11,152 and $11,771 during the years ended December 31, 2014 and 2013, respectively.

NOTE 11 PAYMENTS TO AFFILIATES

Certain fundraising promotions are subject to a 25% allocation to Ronald McDonald House Charities Global (Global). Reporting and remittance of amounts owed are due on a quarterly basis. During the years ended December 31, 2014 and 2013, the Organization remitted a total of $93,451 and $81,605 to Global, respectively.

NOTE 12 DONATED MATERIALS AND SERVICES

Donated materials and services consist of the following at December 31:

	2014	2013
Equipment and supplies	$ 55,246	$ 53,759
House and room improvements	39,546	72,665
Meals for families	103,960	97,457
Entertainment and airline tickets for families	23,454	20,992
Professional services	53,328	51,819
Fixed assets	346,259	-
Total donated materials and services	$ 621,793	$ 296,692

Professional services include landscaping, pest control and various maintenance services provided for the housing facilities.