



Financial Statements
December 31, 2009

Ronald McDonald House Charities, Upper Midwest



RONALD MCDONALD HOUSE CHARITIES, UPPER MIDWEST

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ronald McDonald House Charities, Upper Midwest
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of **Ronald McDonald House Charities, Upper Midwest** (the Organization) as of December 31, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. 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 2008 financial statements, and in our report dated March 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, Upper Midwest** as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Minneapolis, Minnesota
March 4, 2010

RONALD MCDONALD HOUSE CHARITIES, UPPER MIDWEST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 513,204	\$ 494,945
Accounts receivable, less allowance for doubtful accounts of \$23,000	43,744	40,445
Contributions receivable, net	45,021	24,504
Inventory	25,989	29,755
Investments	1,735,654	1,228,611
Prepaid expenses	8,744	7,716
	<u>2,372,356</u>	<u>1,825,976</u>
PROPERTY AND EQUIPMENT, net	<u>7,259,879</u>	<u>7,252,244</u>
OTHER ASSETS		
Contributions receivable, net	2,215	3,288
Cash surrender value of life insurance policy	79,491	75,801
Investments restricted to endowment	2,254,222	2,134,971
	<u>2,335,928</u>	<u>2,214,060</u>
	<u>\$ 11,968,163</u>	<u>\$ 11,292,280</u>

See Notes to Financial Statements

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 65,085	\$ 100,051
Payable to affiliate	23,368	24,899
Other accrued liabilities	67,787	49,737
	<u>156,240</u>	<u>174,687</u>
NET ASSETS		
Unrestricted net assets		
Undesignated	156,240	174,687
Invested in property and equipment	7,259,879	7,252,244
Board designated	1,820,163	1,243,757
	<u>9,236,282</u>	<u>8,670,688</u>
Temporarily restricted	321,419	296,451
Permanently restricted (endowment)	2,254,222	2,150,454
	<u>11,811,923</u>	<u>11,117,593</u>
	<u>\$ 11,968,163</u>	<u>\$ 11,292,280</u>

RONALD MCDONALD HOUSE CHARITIES, UPPER MIDWEST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE			
Public support			
Canister donations, net	\$ 248,325	\$ -	\$ -
Special events, net	327,569	-	10,500
Remembrances	105,920	-	60
Estates	156,391	-	-
Organizations, corporations and foundations	1,296,872	236,205	25
Individuals	332,575	54,478	37,660
Net assets released from restrictions	265,715	(265,715)	-
Total public support	<u>2,733,367</u>	<u>24,968</u>	<u>48,245</u>
Revenue			
House fee	244,185	-	-
School reimbursement	33,555	-	-
Net investment (loss) income	585,858	-	55,523
Pop tab income	22,157	-	-
Store, net	3,817	-	-
Total revenue	<u>889,572</u>	<u>-</u>	<u>55,523</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>3,622,939</u>	<u>24,968</u>	<u>103,768</u>
EXPENSES			
Program services	2,085,380	-	-
Fundraising	586,261	-	-
General and administrative	385,704	-	-
Total expenses	<u>3,057,345</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	565,594	24,968	103,768
NET ASSETS, BEGINNING OF YEAR	<u>8,670,688</u>	<u>296,451</u>	<u>2,150,454</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,236,282</u></u>	<u><u>\$ 321,419</u></u>	<u><u>\$ 2,254,222</u></u>

See Notes to Financial Statements

Total	
2009	2008
\$ 248,325	\$ 275,864
338,069	416,372
105,980	138,630
156,391	219,531
1,533,102	827,668
424,713	368,405
-	-
2,806,580	2,246,470
244,185	251,880
33,555	58,347
641,381	(916,482)
22,157	24,704
3,817	(7,165)
945,095	(588,716)
3,751,675	1,657,754
2,085,380	2,019,262
586,261	560,964
385,704	422,978
3,057,345	3,003,204
694,330	(1,345,450)
11,117,593	12,463,043
\$ 11,811,923	\$ 11,117,593

RONALD MCDONALD HOUSE CHARITIES, UPPER MIDWEST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 694,330	\$ (1,345,450)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	486,384	517,051
Change in unrealized (gain) loss on investments	(770,043)	889,006
Realized loss on sale of investments	232,044	153,889
Change in cash surrender value of life insurance policy	(3,690)	(3,935)
Stock donations	(29,052)	(13,881)
In-kind property and equipment donations	(479,583)	-
Contributions restricted to long-term purposes	(15,484)	(15,484)
Change in operating assets and liabilities		
Accounts receivable	(3,299)	19,011
Contributions receivable	(19,444)	5,079
Inventory	3,766	8,079
Prepaid expenses	(1,028)	(3,916)
Accounts payable	(34,966)	(21,267)
Grant payable	-	(98,312)
Payable to affiliate	(1,531)	(29,563)
Other accrued liabilities	18,050	(29,832)
NET CASH FROM OPERATING ACTIVITIES	<u>76,454</u>	<u>30,475</u>
INVESTING ACTIVITIES		
Purchase of investments	(2,376,860)	(3,708,239)
Proceeds from sale of investments	2,317,617	4,021,170
Purchase of property and equipment	(14,436)	(189,404)
NET CASH (USED FOR) FROM INVESTING ACTIVITIES	<u>(73,679)</u>	<u>123,527</u>
FINANCING ACTIVITIES		
Payments of long-term debt	-	(133,831)
Contributions restricted to endowment	15,484	15,484
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	<u>15,484</u>	<u>(118,347)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,259	35,655
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>494,945</u>	<u>459,290</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 513,204</u>	<u>\$ 494,945</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Stock donations	\$ 29,052	\$ 13,881
Cash paid for interest expense	\$ -	\$ 527

RONALD MCDONALD HOUSE CHARITIES, UPPER MIDWEST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	Program Services				Total
	Lodging	Family Services	Volunteer	Outreach	
Salaries and benefits	\$ 282,334	\$ 275,166	\$ 74,479	\$ 81,753	\$ 713,732
Interest expense	-	-	-	-	-
Insurance expense	27,983	6,779	1,182	5,871	41,815
Supplies and food	19,749	190,602	2,218	44,706	257,275
Professional and consulting	44,215	16,091	12,130	90,793	163,229
Bank and investment fees	-	-	-	-	-
Utilities	96,222	10,168	-	132	106,522
Telephone	14,711	7,515	-	903	23,129
Postage	1,378	4,192	1,222	677	7,469
Facilities expense	69,047	1,729	-	761	71,537
House operations	43,105	1,513	-	90	44,708
Event expense	508	7,114	-	2,490	10,112
Books and staff development	3,191	5,174	3,698	5,621	17,684
Printing	5,577	3,181	4,412	4,930	18,100
Grant awards	-	-	-	91,000	91,000
Recognition expense	-	-	1,491	-	1,491
Marketing	744	-	-	2,779	3,523
Lodging subsidy	75,686	3,766	-	-	79,452
Mileage	3,643	3,577	302	8,237	15,759
Computer - software	3,791	4,585	271	6,497	15,144
Depreciation	344,550	38,911	-	20,238	403,699
Total	\$ 1,036,434	\$ 580,063	\$ 101,405	\$ 367,478	\$ 2,085,380
	34%	19%	3%	12%	68%

		<u>Total</u>	
<u>Fundraising</u>	<u>Administration</u>	<u>2009</u>	<u>2008</u>
\$ 369,458	\$ 255,447	\$ 1,338,637	\$ 1,343,904
-	-	-	527
9,260	6,937	58,012	115,250
4,516	5,308	267,099	209,892
7,786	23,002	194,017	90,329
-	28,353	28,353	31,229
12,710	8,897	128,129	144,522
1,704	1,028	25,861	21,365
17,904	905	26,278	21,365
-	602	72,139	121,875
-	-	44,708	95,735
14,289	-	24,401	21,396
7,104	8,876	33,664	22,057
45,575	6,190	69,865	13,843
-	-	91,000	46,638
16,871	1,944	20,306	11,902
6,889	-	10,412	15,042
1,827	-	81,279	111,225
4,001	133	19,893	8,387
17,729	4,035	36,908	39,670
<u>48,638</u>	<u>34,047</u>	<u>486,384</u>	<u>517,051</u>
<u>\$ 586,261</u>	<u>\$ 385,704</u>	<u>\$ 3,057,345</u>	<u>\$ 3,003,204</u>
<u>19%</u>	<u>13%</u>	<u>100%</u>	

RONALD MCDONALD HOUSE CHARITIES, UPPER MIDWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ronald McDonald House Charities, Upper Midwest (RMHC, the Organization or the House) is a nonprofit organization which owns and operates Ronald McDonald House of the Twin Cities that creates, finds and supports programs that provide a supportive community for families with seriously ill children and which increase children's access to health care services.

The Ronald McDonald House provides a home-away-from-home for families living greater than 60 miles from the Twin Cities who have children being treated for cancer and other life-threatening illness or disease. Several different program areas support the mission of RMH:

Lodging

The Lodging program is responsible for the maintenance and staffing of the House facility. RMH subsidizes the cost of accommodating up to 48 families who live at the House each day. Families are asked only to pay \$25 per night room fee if they are able.

Family Services

A variety of supportive services are provided to help ease the burden associated for families coping with pediatric illness. There are evening activities, after school programs and summer programs available for RMH residents. A full-time Alternative School is available for siblings and children who are patients while staying at RMH.

Volunteer Services

Many people volunteer time and services to help support RMH. The Cooks for Kids program provides evening meals for families. Volunteers also work as House Volunteers, Friends of Families, Ambassador's and in development projects to provide vital support for the RMH mission.

Outreach Program

The Organization has three cornerstone outreach programs that are either currently operating or are in the process of opening in 2009-2012:

Care Mobile is a mobile dental unit operated with Medical Teams International, to serve children within the Twin City metro area.

House within the Hospital is located at Children's Hospitals and Clinics, Minneapolis facility, to serve families within 60 miles of the Twin Cities.

Faith's Lodge is a resort-retreat, in northern Wisconsin, exclusively for families who have sick children or children who have passed away.

The Organization has an independently operated license agreement with Ronald McDonald House Charities, Global (RHMC Global). RHMC Global receives 25 percent of canister income after expenses incurred for providing and maintaining the canisters in the restaurants.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

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

Basis of Presentation

In compliance with accounting standards, RMHC is required to report 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. Permanently restricted net assets consist of contributions for general endowment funds that are required by the gift instruments to be invested in perpetuity. The income from such investments is unrestricted.

Cash and Cash Equivalents

For purposes of the statement of cash flows, RMHC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Money market funds are considered investments.

Receivables

Accounts receivable consist primarily of uncollateralized obligations due from families upon completion of their stay at the facility. These receivables do not bear any interest on unpaid balances. Contribution receivables are uncollateralized donor contributions and are paid based on terms arranged with the donor.

Accounts receivable are stated at the amount billed to the family. RMHC generally does not bill the family until they leave the facility. Contribution receivables are stated at the amount donated, less an adjustment to net present value for contributions due in more than one year.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

RMHC uses the allowance method to determine uncollectible contributions and accounts receivable. The allowance is based on prior year's experience and management's analysis of the outstanding receivables. The carrying amount of pledge receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected.

Inventory and Store Revenue

Inventories consist of store logo merchandise and are stated at lower of cost (last-in, first out method) or market.

RMHC maintains a store with clothes, toys and gifts for families residing with them. Store net revenue of \$3,817 for the year ended December 31, 2009, consists of \$11,473 in revenue and \$7,656 in cost of goods sold.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment with a value in excess of \$3,500 is capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets.

Buildings	25 years
Furniture and fixtures	7 years
Computers and software	5 years
Vehicles	7 years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Investments include money market funds also at fair value. Donated investments are reflected in the financial statements at their fair value on the date of donation. Investment income and realized and unrealized gains/losses are reported as changes in net assets in the reporting period in which the income and gains/losses are recognized.

The investments are not insured and involve risks, including the possible loss of the principal invested.

The Organization has an Endowment Fund which is permanently restricted. Investment earnings are available to support the Organization's charitable efforts and are reported as unrestricted in the statement of activities. The Organization also has several named Endowment Funds in which gifts of at least \$10,000 can be named in honor of the donor or in honor or memory of another individual. The principal of these funds is retained as well. In addition these named Endowment agreements call for the funds to increase in value each year at a growth rate equal to the consumer price index. These investment earnings sufficient to fulfill this are reported as permanently restricted on the statement of activities. See Note 9 for additional endowment information.

Support Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Canister donation revenue is recorded net of direct canister expense of \$15,961 and the RMHC Global share of \$93,800 in 2009. \$23,368 was payable to RMHC Global as of December 31, 2009.

Income Taxes

RMHC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

NOTES TO FINANCIAL STATEMENTS

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) on January 1, 2009. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of December 31, 2009, the unrecognized tax benefit accrual was zero.

RMHC undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10.

Donated Materials and Services

In-kind contributions are reflected as support and expenses in the financial statements at their estimated values on the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) specialized skills are performed by people with those skills and would otherwise be purchased by RMHC. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for revenue recognition is not met.

Functional Expense Allocation

The costs of providing RMHC's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of the 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Concentrations of Credit Risk

RMHC maintains its cash in bank deposit accounts at a financial institution. These balances, at times, may exceed federally insured limits.

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 RMHC's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Accounting Standards Codification Topic ASC 820-10 (previously FAS 157, *Fair Value Measurements*) which provides a framework for measuring fair value under generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Reclassifications

Certain 2008 items may have been reclassified in order to confirm with the 2009 financial statement presentation.

Subsequent Events

The Organization has evaluated subsequent events through March 4, 2010, the date which the financial statements were issued.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2009 and are payable as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2010	\$ 45,021
2011	2,000
2012	2,000
2013	2,000
2014	2,000
Thereafter	2,000
Total contributions receivable	<u>55,021</u>
Less discount to net present value	(2,785)
Less allowance for uncollectible contributions	<u>(5,000)</u>
Contributions receivable, net	<u><u>\$ 47,236</u></u>

Net contribution receivables have been classified on the statement of financial position as follows:

Current assets	\$ 45,021
Other assets	<u>2,215</u>
Total contributions receivable, net	<u><u>\$ 47,236</u></u>

Contributions receivable have been reduced to present value using a discount rate of 4.5 percent.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS

Investments are held and managed under an agency agreement by a professional management firm and consist of the following money market funds and securities reported at fair market value at December 31, 2009:

Money market	\$ 419,355
Stocks	2,105,482
U.S. government bonds	480,847
Corporate bonds	561,318
Alternative investments	240,119
Real estate investment trusts	182,755
	<u>\$ 3,989,876</u>

The summary of investment results, net of investment management fees of \$28,353, for the year ended December 31, 2009 is as follows:

Interest and dividends	\$ 103,382
Net realized and unrealized gains	537,999
	<u>\$ 641,381</u>

The investments include \$2,254,222 in permanently restricted Endowment funds.

NOTE 4 - FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2009:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
Money market	\$ 419,355	\$ -	\$ -
Stocks	2,105,482	-	-
U.S. government bonds	-	480,847	-
Corporate bonds	-	561,318	-
Alternative investments	-	-	240,119
Real estate investment trusts	-	-	182,755
	<u>\$ 2,524,837</u>	<u>\$ 1,042,165</u>	<u>\$ 422,874</u>

NOTES TO FINANCIAL STATEMENTS

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2009.

	<u>Alternative Investments</u>	<u>Real Estate Investment Trust</u>
Balance, beginning of year	\$ 297,238	\$ -
Realized gains/(losses)	(25,899)	-
Unrealized gains/(losses)	54,970	46,372
Purchases, sales, issuances and settlements (net)	<u>(86,190)</u>	<u>136,383</u>
Balance, end of year	<u><u>\$ 240,119</u></u>	<u><u>\$ 182,755</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 1,197,489
Buildings	9,776,570
Furniture and fixtures	862,324
Computers and software	248,720
Vehicles	450,587
	<u>12,535,690</u>
Less accumulated depreciation	<u>(5,275,811)</u>
Net property and equipment	<u><u>\$ 7,259,879</u></u>

Depreciation expense for the year ended December 31, 2009 was \$486,384.

NOTE 6 - IN-KIND CONTRIBUTIONS

The value of in-kind contributions at estimated fair value at the date of donation for the year ended December 31, 2009 is as follows:

Food donation	\$ 171,144
Vehicles	430,810
Legal services	59,313
House maintenance	35,658
Furnishings	29,514
Supplies	18,235
House operations	14,007
Utilities	15,936
Telephone	8,446
Computer	8,285
Ground maintenance	4,395
Appliances and HVAC	4,266
	<u>800,009</u>
	<u><u>\$ 800,009</u></u>

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NOTES TO FINANCIAL STATEMENTS

Volunteers contributed approximately 30,500 hours of service to Ronald McDonald House Charities during 2009.

NOTE 7 - SPECIAL EVENTS

Net special event revenue consisted of the following at December 31, 2009:

	<u>Revenue</u>	<u>Contributions</u>	<u>Gross Special Event Revenue</u>	<u>Direct Expenses</u>	<u>Net Special Event Revenue</u>
Fam Glam	\$ 201,438	\$ 164,625	\$ 366,063	\$ 119,196	\$ 246,867
Kelsey Classic	<u>76,762</u>	<u>66,800</u>	<u>143,562</u>	<u>52,360</u>	<u>91,202</u>
	<u>\$ 278,200</u>	<u>\$ 231,425</u>	<u>\$ 509,625</u>	<u>\$ 171,556</u>	<u>\$ 338,069</u>

NOTE 8 - NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2009:

House within the Hospital	\$ 236,242
Children's art program	985
Shuttle bus	52,190
Care Mobile	<u>32,002</u>
	<u>\$ 321,419</u>

Temporarily restricted net assets released from restriction for the year ended December 31, 2009, consist of the following:

House within the Hospital	\$ 9,877
Children's art program	7,226
Care Mobile	<u>248,612</u>
	<u>\$ 265,715</u>

The RMHC Board has designated a portion of unrestricted net assets to be used for future expansion. Current projects include the House within the Hospital.

NOTE 9 - ENDOWMENT

Board-designated Endowment

The Board of Directors of RMHC has designated \$872,928 of unrestricted net assets as a general endowment fund to support the mission of RMHC. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets and is not subject to UPMIFA as described in a following paragraph.

The Board of Directors has elected to spend the earnings as needed for operations and to grow the fund as earnings are not needed. RMHC attempts to maximize total return consistent with an acceptable level of risk.

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NOTES TO FINANCIAL STATEMENTS

Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Donor-designated Endowments (Minnesota UPMIFA)

RMHC endowment consists of approximately nineteen individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of RMHC has interpreted the Minnesota adopted Universal Prudent Management of Institutional Funds Act (UPMIFA) 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. As a result of this interpretation, RMHC classifies as permanently restricted net assets (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 by changes in the consumer price index as identified in the endowment agreements. In accordance with Minnesota UPMIFA, 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 purposes 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

Endowment net asset is composed of donor-restricted endowment funds. Changes in the endowment net assets for the fiscal year ended December 31, 2009, consist of \$55,523 gain due to an increase in the consumer price index and contributions of \$48,245 for an ending balance at December 31, 2009 of \$2,254,222.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Minnesota UPMIFA requires RMHC to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2009.

NOTES TO FINANCIAL STATEMENTS

Return Objectives and Risk Parameters

RMHC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that maintain the principle plus the consumer price index and to re-invest excess earnings that are equal to or exceed the various benchmarks that are representative of the asset allocation models. Investment risks are considered within the context of all managed assets and the need to meet specific objectives as determined by the Finance Committee. Volatility and risk will be controlled through asset allocation strategies and the selection of Investment Managers of mutual funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, RMHC relies on a balanced asset allocation model in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and how the Investment Objectives Relate to Spending Policy

RMHC has a policy that reflects a commitment to endowment growth by balancing the re-investment of annual earnings with the operating needs of the Organization. Accordingly, over the long term, the Organization expects the current policy to allow its endowment to grow at a rate of return that equals or exceeds the various benchmarks that are representative of the asset allocation model identified. This is consistent with the RMHC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts, changes in inflation, and investment return.

The composition of Endowment Net Assets by fund type as of December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 2,254,222	\$ 2,254,222
Board-designated endowment funds	872,928	-	-	872,928
	<u>\$ 872,928</u>	<u>\$ -</u>	<u>\$ 2,254,222</u>	<u>\$ 3,127,150</u>

NOTES TO FINANCIAL STATEMENTS

Changes in Endowment Net Assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 372,239	\$ -	\$ 2,150,454	\$ 2,522,693
Investment return				
Investment income	59,103	-	-	59,103
Net depreciation (realized and unrealized)	413,291	-	55,523	468,814
Contributions	<u>28,295</u>	<u>-</u>	<u>48,245</u>	<u>76,540</u>
Endowment net assets, end of year	<u>\$ 872,928</u>	<u>\$ -</u>	<u>\$ 2,254,222</u>	<u>\$ 3,127,150</u>

The components of endowment funds classified as permanently restricted net assets as of December 31, 2009 are as follows:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 2,254,222</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 2,254,222</u>

NOTE 10 - CONTINGENCIES

Substantially all support is received in the form of contributions from various individuals, corporations and foundations; therefore, the continuation of the programs of RMHC is dependent upon future funding.

Contributions may require the fulfillment of certain conditions as set forth in the instrument of the contribution. Failure to fulfill the conditions could result in the return of the funds to donors. Although that is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of RMHC to the provisions of the gift.

NOTE 11 - PENSION PLAN

RMHC sponsors a 401(k) defined contribution retirement plan, which matches contributions at 50 percent of the first 6 percent of an employee's salary contributed to the plan. RMHC also contributes a discretionary amount allocated to participating employees employed at year end. Expenses under this plan were \$40,600 for the year ended December 31, 2009.